

# **Primary Resources, Secondary Labor: Natural Resources and Immigration Policy around the World**

by

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*In memory of my father*

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## LIST OF ABBREVIATIONS

**CCT** Common Customs Tariff

**EEA** European Economic Area

**EU** European Union

**EUCU** European Union Customs Union

**FDI** foreign direct investment

**GCC** Gulf Cooperation Council

**GDP** gross domestic product

**IPE** international political economy

**LO** confederation of labor unions

**LSIP** low-skill immigration policy

**MP** member of parliament

**OECD** Organisation for Economic Co-operation and Development

**RTAA** Reciprocal Trade Agreements Act

**WWII** World War II

# **ABSTRACT**

**Primary Resources, Secondary Labor: Natural Resources and Immigration Policy  
around the World**

**by**

**Adrian J. Shin**

**Co-Chairs: William Roberts Clark and Robert J. Franzese, Jr.**

This dissertation seeks to understand why some policymakers open their borders to unskilled immigrants while others restrict immigration, by looking at the effects of natural resource wealth on pro-immigration firms and policymakers. The three empirical chapters in the dissertation examine the mechanisms through which revenues from capital-intensive natural resources shape immigration policy toward low-skilled workers from the developing world. I find that natural resource wealth has differential effects on immigration policy under different political institutions.

Chapter 3 explores the link between natural resource wealth and immigration policy formation in wealthy democracies. In this chapter, I find that substantial natural resource wealth leads to policy restrictions on immigration inflows by reducing the size of the pro-immigration business coalition. Moreover, trade liberalization exacerbates this negative effect of natural resource income on immigration policy openness by expediting firm deaths in the tradable sector. These adverse effects do not materialize in economies lacking resource income, so firms there seek to remain viable under trade liberalization by supporting pro-immigration policy. In Chapter 4, I test the hypotheses and find similar

results by using the data on U.S. senators' voting behavior on immigration bills from 1964 to 2008.

Finally, Chapter 6 examines the effects of natural resource rents on the immigration policies of 13 relatively wealthy autocracies after World War II. In contrast to Chapters 3 and 4, I find that the natural resource wealth is *positively* associated with more open immigration policy in autocracies. As the distribution of resource rents in rentier autocracies reduces the incentive of domestic labor to enter the labor force, rentier states rely on migrant workers to meet the demand for low-skilled labor. Autocrats without resource rents, however, lack capacity for redistribution, so they use policies that provide people with wages in exchange for their labor while restricting immigration.

The remaining chapters provide supplementary information such as details on immigration policy index construction and additional evidence from field research. I conclude the dissertation with future research suggestions and broader implications for political science research.



# CHAPTER 1

## Introduction

On September 2, 2015, the world woke up to a shocking photo of a drowned Syrian boy on a beach near a Turkish resort of Bodrum. The 3-year-old toddler, Aylan Kurdi was found lying face down after a refugee group's failed attempt to reach the Greek island of Kos. He was one of the refugee group's at least 12 Syrians who lost their lives while attempting to escape from violence (Smith, 2015). Displaced individuals from Syria, Afghanistan, and African countries seek refuge in geographically proximate European countries. According to UNHCR (2016), more than one million refugees and migrants arrived in Europe by sea in 2015. As of June 2016, more than 200,000 have arrived in the year of 2016 alone. Tragically, more than 3,700 were missing or presumed dead in the Mediterranean Sea in 2015. As of June 17th, 2016, 2,868 are dead or missing in 2016.

The ongoing refugee crisis brings attention to the immigration policies of wealthy advanced democracies. Some of these wealthy states' unwillingness to resettle refugees has been subject to harsh criticisms from the media and non-governmental organizations. In the meantime, oil-rich autocracies in the Gulf Cooperation Council (GCC) area have hardly welcomed any refugees while relying heavily on foreign labor in almost every sector. Although high-skilled foreign workers in the GCC countries enjoy higher standards of living than low-skilled workers from poor countries, the GCC countries' poor treatment of low-skilled workers has been an ongoing human rights issue. It is estimated that around 400 to 600 migrant workers die every year in Qatar in preparations for the 2022 World Cup (Stephenson, 2015). This is an unprecedented death toll for a World Cup, given that

only a handful of worker deaths had occurred in preparations for the previous World Cup tournaments.

The world is disproportionately moving into another age of migration. As of 2013, the global stock of international migrants was approximately 231 million, representing only about 3 percent of the world's total population (Vargas-Silva, 2014). Yet, the share of international migrants is around 10 percent in many Western European countries with Germany and the U.K. as the top immigrant destinations. The shares of foreign-born individuals in Canada and the U.S. also exceeded 21 and 14 percent, respectively in 2015 (World Bank, 2016). In particular, the migrant population shares of the GCC countries have become unprecedentedly large. As of 2015, migrants make up 73.6 and 75.5 percent of the Kuwaiti and Qatari populations, respectively.

The significance of these wealthy economies' role in shaping the new age of migration cannot be overstated. Their immigration policies have direct consequences for the lives of countless nationals from the developing world, who seek better economic opportunities by leaving their families and homelands. In this dissertation project, I seek to understand why policymakers of these relatively wealthy economies adopt different immigration policies toward low-skilled immigrants. To explain the variation in LSIP, I address the following specific questions:

- Which domestic political actors support or oppose low-skill immigration?
- Given these interests, what constraints do policymakers face in immigration policy-making?

The findings of this project provide insight into how political institutions and contestation between domestic political actors shape immigration policymaking. My argument emphasizes that immigration policies reflect the relative influence of pro-immigration groups vis-à-vis anti-immigrant groups in democracies. I also show that powerful autocrats can devise their preferred immigration policies without giving much thought to

the mass public's preferences. The implication is that short-term macroeconomic and demographic shifts rarely drive immigration policy if these indicators do not shape the preferences of influential domestic political actors over immigration. This argument highlights that policymakers do not use immigration policies as social planners but simply to increase their chance of political survival. For instance, policymakers of democracies open immigration in exchange for pro-immigration firms' contributions which policymakers use to increase their re-election chance. Similarly, autocratic leaders use immigration to maintain regime stability. While this should not be surprising for political scientists, my arguments elaborate on the specific mechanisms through which policymakers are compelled to open or close their doors to low-skilled immigrants.

This introductory chapter is divided into two sections. First, I provide a brief literature review on the political economy of immigration policy and explain why the existing theories cannot explain much of immigration policy variation. Second, I explain the argument and state the purpose of each chapter. This section provides a snapshot of the theoretical framework and how the chapters are inter-related in a larger, coherent project.

## 1.1 Motivating Literature

The vast majority of scholars studying the politics of immigration focus on some type of prejudice among native voters against foreigners (Freeman, 1995; Zolberg, 1989). While different degrees of xenophobia may help explain why some countries are more tolerant of immigrants than others, immigration policy often shows wide within-country variation over a short time period. If xenophobia primarily drives national immigration policy, how does a xenophobic segment of the population gain or lose influence over time? Others have turned to the role of organized labor, such as labor unions and parties that represent their economic interests.<sup>1</sup> Over the past several decades, the power of labor unions has declined

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<sup>1</sup>For the influence of anti-immigrant right-wing populists, see Messina (2002); Swank and Betz (2003). For labor unions' stance on immigration and policy influence, see Haus (2002); Briggs (1984, 2001).

significantly. Organized labor has been largely unsuccessful in blocking other policies that harm their interests, such as an increasing burden of taxation and trade liberalization. Given the declining influence of labor on these policy issues, the possibility of organized labor influencing immigration policy is tenuous. Finally, scholars have examined whether voters' welfare chauvinism has led to restrictive immigration policy (Razin, Sadka and Suwankiri, 2011; Peters, 2015). According to this argument, voters in welfare states believe that immigrants tend to be net consumers of social services and oppose liberal immigration policy in order to restrict access to welfare provisions to themselves. Although welfare states tend to limit immigration, gradual developments of welfare state over time cannot explain drastic changes in immigration policy.

These common explanations for immigration policy formation implicitly focus on liberal democracies by emphasizing a number of cultural, economic, and sociotropic origins of native opposition to low-skill immigration. While scholars disagree on the extent to which citizens in democracies influence immigration policy, immigration tends to be a highly salient issue about which voters have strong opinions. In representative democracies, both average citizens and special interests play roles in shaping government policy (Grossman and Helpman, 1994, 2001). Reelection-minded policymakers in democracies must strike a balance between pro-immigration businesses and voters. Scholars studying immigration policies of representative democracies have examined whether firms influence immigration policy by supplying financial resources to policymakers.<sup>2</sup> Yet, our understanding of factors that drive firms' ability and incentives to lobby for pro-immigration policy remains limited.

Many of these explanations also fail to provide a theoretical framework for why autocrats choose to close or open their borders to low-skill immigrants. Since authoritarian rulers are largely insulated from mass preferences over government policy, their policy choices primarily reflect their concern for regime stability. (Bueno de Mesquita et al.,

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<sup>2</sup>See Goldin (1994), Facchini, Mayda and Mishra (2008), Freeman (1995), Money (1997) and Peters (2014, 2015, 2017) for discussion of the role of business interests in shaping immigration policy.

2004). Then, why do some authoritarian governments of fast-growing economies become increasingly dependent on foreign labor while others limit immigration?<sup>3</sup> Moreover, what explains an authoritarian government's immigration policy shifts over time? Economic needs for low-skilled labor do not explain why oil-rich autocracies in the Persian Gulf have relied on immigration more than the export-oriented economies of East Asia. The so-called East Asian Tigers experienced exponential growth under dictatorships, driven by booming labor-intensive manufacturing sectors. The growth rates of these export-oriented economies often exceeded those of the Persian Gulf fueled by petroleum exports, a capital-intensive industry that requires relatively little labor. Given the sectoral differences between the oil industry and manufacturing sectors, economic theories predict that the East Asian Tigers should have relied on more foreign labor than the oil-rich autocracies in the Middle East.

In sum, the literature overlooks two important factors of immigration policy formation. First, the existing theories of immigration policy based on native voters' opposition are inadequate to explain why autocracies change their immigration policies over time. Second, we do not have a good understanding of which firms are more likely to support immigration and factors that affect their relative power vis-à-vis native voters under democratic settings. In addition, the literature lacks comprehensive data on LSIP, making it impossible to test many of the predictions proposed in the literature.

## 1.2 Overview of the Argument

In this dissertation, I make the case that the existing literature has overlooked the importance of pro-immigration firms and has held a simplistic view of the role of firms in immigration policy formation. In addition, the majority of the existing theories cannot explain the immigration policy variation of authoritarian regimes by placing an exclusive

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<sup>3</sup>Breunig, Cao and Luedtke (2012) find that autocracies are able to absorb more immigrants than democracies but offer no explanation of why some autocracies rely more on foreign labor than others.

focus on institutional channels through which native voters and organized labor seek to influence immigration policy. Taking cues from the literatures on special-interest politics and the politics of authoritarian regimes, I divide the dissertation into two broad sections by presenting different sets of hypotheses for the political economy of immigration policy in democracies and autocracies.

Chapter 3 argues that the revenues from capital-intensive natural resources (e.g. oil and natural gas) lead to restrictions on immigration inflows from the developing world in wealthy, labor-scarce democracies. This counter-intuitive result is due to an economic phenomenon known as the Dutch Disease through which pro-immigration firms perish. I also present and test hypotheses that elaborate the conditions under which trade liberalization leads to more restrictive or more liberal immigration policy outcomes. I focus on firm preferences over immigration policy and present evidence on industry-level lobbying.

To provide a closer look at immigration policymaking, Chapter 4 uses senate roll-call votes and state-level data to see how petroleum booms have changed U.S. senators' voting behavior on immigration bills. I find that senators from petroleum-rich states tend to oppose pro-immigration bills when the level of low-wage import penetration is high. I also explore the ways through which a petroleum boom in a state affects the voting behavior of senators from its contiguous states. I find some evidence that senators from neighboring states of petroleum-booming states tend to vote in favor of pro-immigration bills possibly because they lose much of their labor force to neighboring petroleum-rich states.

In Chapter 5, I elaborate on how immigration policies of the Netherlands and the Scandinavian countries are formulated and present some of the findings from in-depth interviews during my five-month field research from January to June 2016. In summary, as in the case of the U.S., firms in these countries have access to similar political channels through which they can communicate their preferences for immigration policy to relevant lawmakers. However, their preferences for immigrant labor depend on the sector, labor

intensity, and the exposure to foreign competition. The findings from the field research provide qualitative evidence that the firm-lobbying model of immigration policy formation is generalizable in the Western European context.

Finally, Chapter 6 examines the link between natural resource rents and immigration policy in autocracies. In contrast to the previous chapters, I argue that resource wealth and immigration policy openness is *positively* correlated in autocracies. I demonstrate that that authoritarian immigration policy is a consequence of an autocrat's redistributive policy. As the distribution of resource rents in rentier autocracies reduces the incentive of domestic labor to enter the labor force, rentier states rely on migrant workers to meet the demand for low-skilled labor. Autocrats without resource rents, however, lack capacity for redistribution, so they use policies that provide people with wages in exchange for their labor while restricting immigration.

In sum, my dissertation offers explanations to the big question: why do some policy-makers open their doors to low-skilled workers when others maintain more restrictions? The theories and findings presented in the dissertation go beyond the statement that says immigration policies are different because countries are different. The project demonstrates that macroeconomic indicators and demographic factors cannot explain much of the immigration policy variation. In Chapter 7, I also offer novel implications for future research and situate the issue of immigration in the globalization literature.

## CHAPTER 2

### Data on Immigration Policy

#### 2.1 Motivation and Data Collection

While many theories of immigration policy formation have emerged across disciplines, the lack of cross-sectional time-series data on immigration policy has made it difficult to perform rigorous statistical evaluation of the theories. The existing datasets and ongoing projects only cover advanced democracies that are members of the Organisation for Economic Co-operation and Development (OECD) for a relatively short time period.<sup>1</sup> One of the main contributions of this dissertation is an expanded dataset on LSIP. Chapters 3 and 6 use this extensive dataset on national immigration policies that target low-skilled workers from the developing world. In this section, I describe how I augmented the LSIP dataset constructed by Peters by adding more country-year observations of immigration policies.<sup>2</sup>

The original dataset in Peters (2015) includes nineteen democracies and autocracies from the late eighteenth century to 2010, covering up to 225 years. While the dataset includes a long time period for some settler states in the New World and former colonial powers in Europe, many European democracies are missing from the dataset, notably Austria, Belgium, and the Scandinavian countries. Using this original dataset is problematic because Chapter 3 proposes theories about the immigration policy formation in

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<sup>1</sup>See the International Migration Policy and Law Analysis (IMPALA) Database for more information. <http://projects.iq.harvard.edu/impala>

<sup>2</sup>See Peters (2015) for the original dataset.



wealthy democracies, which should be generalizable to many Western European democracies. Moreover, the dataset includes a limited number of wealthy autocracies. Chapter 6 explores how an autocrat's redistributive capacity shapes an autocracy's immigration policy toward low-skilled workers. To generate larger samples for empirical analysis, I have expanded the dataset to include 10 additional countries from 1950 to 2013 by using Peters' codebook shown in Appendix A.2.

For data collection, I assembled a team of three international lawyers with specialty in national and international migration laws. We searched, collected, and coded all domestic laws, international treaties (i.e. bilateral migration agreements and Schengen) and secondary sources that illustrate each country's immigration policy in a given year from 1950 to 2013. The team is collectively proficient in English, French, German and Spanish. For the Nordic countries, we used English translations of national immigration laws and secondary sources written in English. We then cross-checked the indicators with the countries' descriptive histories of immigration policy.

Several theoretical and practical grounds justify the collection of additional data from 1950. For instance, Norway was an emigrant-sending country prior to World War I, experiencing the second highest rate of per-capita emigration just below Ireland during the Great Famine (Moses, 2011, p. 17). Emigration peaked in Norway and Sweden in the 1890s, sending workers mainly to the New World (Hatton and Williamson, 1998, p. 48). It was not until the end of World War II when the Nordic states began absorbing refugees and immigrants from the rest of the war-torn Europe. Although Austria and Belgium have implemented both immigration and emigration policies prior to 1950, it is unclear which policies were national policies specific to Austria and Belgium. When Nazi Germany annexed Austria in 1938, the Nazi regulations replaced many of Austria's policies toward immigrants. As a small economy in the highly mobile Bénélux region, Belgium began designing and implementing enforceable immigration policies only after World War II. In addition, Chile has become one of the most recent destinations of immigrants, mostly

Table 2.1: Dimensions of Immigration Policy

| Dimension                       | Description  |
|---------------------------------|--|
| Universality by Nationality     | Discrimination based on nationality                |
| Universality by Skill or Income | Discrimination based on skills or income           |
| Citizenship                     | Ease of naturalization or citizenship acquisition  |
| Immigrant Rights                | Political, legal or welfare rights                 |
| Refugee                         | Number of refugees allowed to enter                |
| Asylum                          | Ease of getting an asylum                          |
| Recruitment                     | Visas or government programs                       |
| Labor Prohibitions              | Labor market restrictions for immigrants           |
| Deportation                     | Deportable offenses and administrative processes   |
| Enforcement                     | Border enforcement or employment screening         |
| Family                          | Sponsorship by citizenship and restrictions        |
| Quota                           | Percentage of population allowed to enter annually |

from Europe after a period of mass emigration during the Pinochet regime. Moreover, it is logistically difficult to find historical sources for immigration policy and to assess their relevance during wars and the inter-war period.<sup>3</sup>

For each country-year observation, we have coded twelve dimensions and three provisions of immigration policy. Table 2.1 presents the twelve immigration policy dimensions with scores ranging from one to five, with the latter indicating a more liberal policy stance on immigrants. The three immigration policy provisions are binary indicators for whether a country's immigration policy mentions refugee, asylum, and family reunion procedures. Before the first mention of each provision, the variable is coded 0. Afterwards, each provision is coded 1. Table 2.2 presents the summary statistics for the 10 additional countries' immigration policy dimensions.

The post-WWII history of immigration policy in the Nordic states shares many similar temporal patterns with the two-century-long history of settler states in the New World. Prior to the 1970s, the Nordic states maintained relatively open immigration policy without any restrictions on nationality, skill, or quota. Norway and Sweden placed significant

<sup>3</sup>It is easier to collect and code pre-WWII data on immigration policy for countries in the New World because these "countries of immigrants" have been destinations for centuries while European countries were their sending states.

Table 2.2: Summary Statistics for the 10 Additional Countries

| <b>Variable</b>    | <b>Mean</b> | <b>Std. Dev.</b> | <b>Min.</b> | <b>Max.</b> | <b>N</b> |
|--------------------|-------------|------------------|-------------|-------------|----------|
| Nationality        | 3.917       | 1.521            | 1           | 5           | 624      |
| Skill              | 3.214       | 1.342            | 1.3         | 5           | 624      |
| Citizenship        | 3.843       | 0.961            | 1           | 5           | 624      |
| Other Rights       | 3.607       | 1.118            | 1           | 5           | 624      |
| Refugees           | 2.777       | 1.165            | 1           | 4.5         | 624      |
| Refugee Provisions | 0.756       | 0.43             | 0           | 1           | 624      |
| Asylum             | 2.708       | 1.126            | 1           | 4.1         | 624      |
| Asylum Provisions  | 0.747       | 0.435            | 0           | 1           | 624      |
| Recruitment        | 2.523       | 1.255            | 1           | 5           | 624      |
| Work Prohibitions  | 3.891       | 1.247            | 1.6         | 5           | 624      |
| Deportation        | 2.723       | 0.882            | 1           | 4.9         | 624      |
| Enforcement        | 3.187       | 0.861            | 1.2         | 5           | 624      |
| Family             | 2.559       | 1.241            | 1           | 5           | 621      |
| Family Provisions  | 0.853       | 0.355            | 0           | 1           | 624      |
| Quota              | 3.679       | 1.744            | 1           | 5           | 624      |

The 10 additional countries are Austria, Belgium, Botswana, Chile, Denmark, Ireland, Norway, Spain, Sweden, and Venezuela.

restrictions in 1975 and in 1972, respectively, allowing only a small number of immigrants to become legal residents. Norway's main justification for its complete ban on labor immigration was based on integration issues concerning existing immigrants. Policymakers in Norway stated that new effective integration policies must be in place before they could welcome new immigrants.

Sweden began lifting immigration restrictions in 1995. Sweden's national immigration policy took a significant shift toward openness in December, 2008 when the government allowed employers to recruit for any occupation and started granting renewable permits to all incoming labor migrants. In addition, Sweden allows immigrants' access to the national health and social welfare systems as long as their stay in Sweden exceeds one year. The Swedish constitution also guarantees immigrants' right to join trade unions and to form their own unions. In addition, family reunion is possible without a waiting period and financial requirements (Cholewinski, 2004, p. 78-79). This substantial opening of policy places Sweden as the most open industrialized economy in terms of labor mobility in the

21st century.

Austria and Belgium exhibit very volatile patterns of immigration policy. Nazi Germany's immigration policy initially shaped Austria's passport law of 1945, mandating that foreigners who want to travel to Austria must be endorsed. There was a wide range of grounds for refusing an endorsement. Migrants were required to demonstrate economic self-sufficiency and to provide evidence that they will not become a burden to the Austrian health and medical facilities. This remnant of Nazi Germany persisted in Austrian immigration policy until 1954 when Aliens Police Law replaced the old immigration regime. Austria then encouraged low-skilled migrants to work in the economy through bilateral agreements with Spain (1962), Turkey (1964) and Yugoslavia (1966) and placed no skill or income restrictions until 1975. In 1990, Austria restricted immigration by making requirements for employing foreign nationals more stringent and stipulating that migrants are tied to one type of job. In 1994, Austria extended rights and social benefits to citizens of the European Economic Area (EEA) as the EEA treaty of freedom of movement came into force. When Austria passed a series of new immigration laws on July 1, 2011, a criteria-based system replaced the quota-based immigration model with favorable terms for high-skilled and seasonal workers.

Prior to 1967, the Belgian immigration policy sought to bring a large number of low-skilled workers. At the international level, the Belgian government aggressively pursued bilateral agreements with multiple sending states including Spain (1956), Greece (1957), Morocco (1964), Turkey (1964), Tunisia (1969), Algeria (1970) and Yugoslavia (1970). In the early 1960s, the Belgian Ministry of Justice stopped enforcing strict immigration laws. For instance, a work permit was no longer considered a prerequisite for permanent residence. Immigration authorities even implicitly tolerated an influx of tourists who would then get a residence permit upon arrival in the country. Starting with the 1967 law of strict enforcement, a number of Belgian immigration authorities imposed strict limits on new immigrants and proposed a cut in the number of work permits. The post-1974 immigration

regime marks the beginning of immigration policy favoring highly educated foreigners. In the mid-1980s, the government began to introduce integration policy for the first time. Although immigrants in general have access to welfare benefits, the rights to which each immigrant has access depend on the type of immigrant visa and years of residence. In 2006, Belgium passed a ground-breaking immigration law that grants voting rights in local elections to immigrants from developing countries with at least five years of legal residence.

While governments of the Western European countries have adopted different policies toward low-skilled immigrants, they share some common policy developments. Prior to the mid-1970s, their borders were generally open toward Third-World nationals. Many of them used bilateral migration treaties to bring foreign workers with an expectation that they would return to their home countries. Many of these countries placed bans on labor migration in the 1970s while allowing family reunification. Yet, there are also striking differences as well. European immigration policies vis-à-vis non-EU nationals became restrictive at different times during the 1970s. The current immigration policies of the Netherlands and Norway are still based on the 1970s bans on labor immigration while others have changed their stances on immigration with Swedish immigration policy exhibiting the most drastic policy change. The descriptive histories of these policy changes in several European countries correspond to the variation in the immigration policy dimension data.

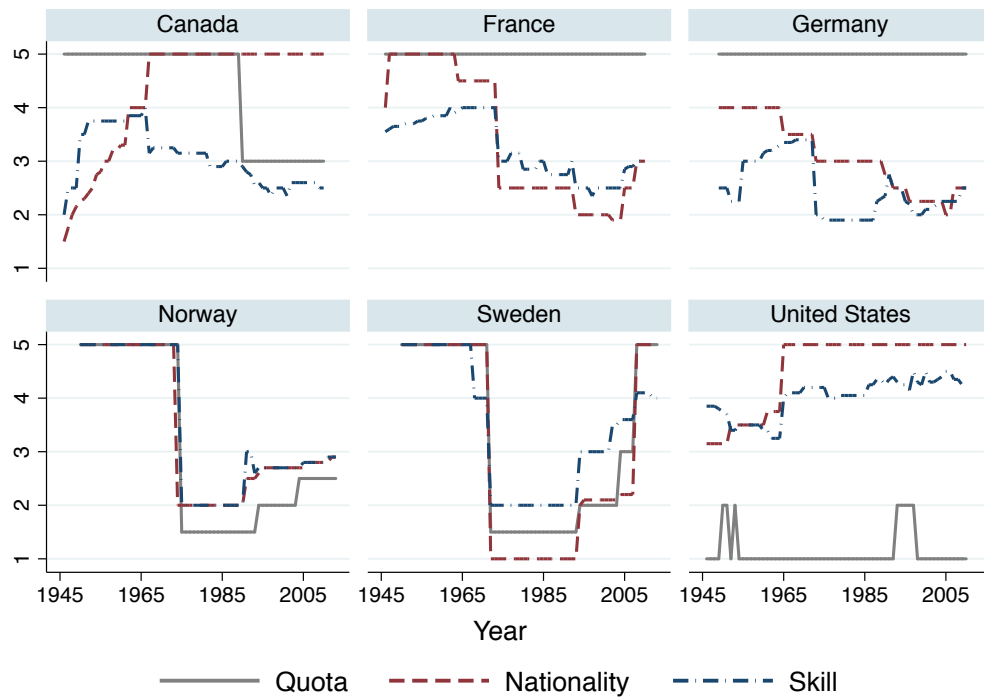
## **2.2 Immigration Policy Index Construction**

To construct an index of immigration policy openness, I have considered several options. The most straightforward way is to use some of the observed policy dimensions in the regression analysis. Policies that govern the entry of immigrants are central to the hypotheses in the dissertation. In addition to entry restrictions based on nationality, skill,

quota and recruitment, labor market policies such as labor prohibitions, deportation and enforcement are important policy areas in which both firms and native voters exercise influence.

This method, however, is problematic for two reasons. First, selecting one variable over another is arbitrary and leaves little variance to be explained in the analysis. Second, policymakers may favor one type of policy over another in manifesting their stance on immigration. For instance, consider two hypothetical countries' immigration policies. Country A employs a quota and does not place any restriction on nationality. Country B has restrictions on skill and does not have any immigration quota. Using the quota variable or discrimination by skill leads to a false conclusion that Country A is more restrictive than Country B, or vice versa. As seen in Figure 2.1, France and Germany primarily use skill and nationality restrictions to control immigration inflows while the U.S. maintains a restrictive quota system. Norway and Sweden have historically used many policy tools to manage immigration inflows. For all of the 29 countries, see Figure A.1. Since policymakers may choose one type of restriction over another or may employ all available policy measures to control immigration, it is appropriate to account for multiple policy dimensions that regulate immigration flows. For instance, one can compute an average score of relevant policy dimensions. This method excludes citizenship regime, refugee policy and other policies that are less relevant to firms' preferences for foreign labor. Since each dimension except for provisions is coded to vary from one to five, using the average forces the index to assign equal weights to all of the policy dimensions. Researchers may choose to assign different weights to policy dimensions such that one policy dimension has more weight than another in the final makeup of the immigration policy index. Researchers, however, need to present a convincing argument to defend their choice of weights. Moreover, some of these variables are highly correlated to one another. When using the sum or the average of observed policy scores, the high correlation between the variables overestimates the variation in immigration policy openness.

Figure 2.1: Immigration Policy Dimensions in Select Countries, 1945–2013



The main objective of constructing the immigration policy index is two-fold, (1) to summarize the policy data without losing much information and (2) to remove redundant information from a set of highly correlated policy variables. I used factor analysis based on principal component scores to compute factor loadings and factor scores. Using the principal components is appropriate to construct an immigration policy index for the following reasons. First, it takes information from a number of highly correlated observed variables to construct a small number of indicators. Second, principal component scores also account for most of the variance of the observed policy variables. Finally, it frees the researcher from making a structural assumption about immigration policy.

The standard rule is to retain factors with eigenvalues equal to or greater than 1 and disregard factors with eigenvalues smaller than 1 (the Kaiser criterion). Since eigenvalues are the variances of the factors, factors with higher eigenvalues account for more variance.

Table 2.3: Factor Analysis and Correlation (Unrotated)

| Factor    | Eigenvalue | Difference | Proportion | Cumulative |
|-----------|------------|------------|------------|------------|
| Factor 1  | 3.987      | 1.947      | 0.332      | 0.332      |
| Factor 2  | 2.040      | 1.013      | 0.170      | 0.502      |
| Factor 3  | 1.027      | 0.058      | 0.086      | 0.588      |
| Factor 4  | 0.969      | 0.197      | 0.081      | 0.669      |
| Factor 5  | 0.772      | 0.010      | 0.064      | 0.733      |
| Factor 6  | 0.762      | 0.178      | 0.064      | 0.796      |
| Factor 7  | 0.584      | 0.081      | 0.049      | 0.845      |
| Factor 8  | 0.503      | 0.059      | 0.042      | 0.887      |
| Factor 9  | 0.444      | 0.077      | 0.037      | 0.924      |
| Factor 10 | 0.367      | 0.048      | 0.031      | 0.955      |
| Factor 11 | 0.319      | 0.093      | 0.027      | 0.981      |
| Factor 12 | 0.226      | –          | 0.019      | 1.000      |

LR test: independent vs. saturated:  $\chi^2(66) = 1.5 \times 10^4$  Prob >  $\chi^2 = 0$

\* All values are rounded to three decimal places.

As depicted in Table 2.4, Factor 1 and Factor 2 capture most of the variance of policies that regulate immigration flows and immigrant rights, respectively. Although Factor 3 satisfies the Kaiser criterion, the difference in eigenvalues between Factor 3 and Factor 4 is minimal, 0.067 as shown in Table 2.3. Moreover, it is difficult to conceptualize Factor 3 because factor loadings of similar policy measures appear inconsistent as shown in Table 2.4.

Many researchers use rotation to facilitate the interpretations of retained factors. Rotation is likely to produce a set of more reliable factors than the unrotated ones under two assumptions (Abdi and Williams, 2010). First, each variable loads on only one factor. Second, retained factors and disregarded factors show clear differences in intensity. While the second assumption seems plausible, the first assumption is too restrictive, given the complexity of immigration policy. Moreover, unrotated factors correspond better with the descriptive history of immigration policy in each country with a high correlation at 0.945 with a simple average of nationality, skill, quota, recruitment, labor prohibitions, deportation and enforcement scores. A similar factor retrieved from rotated factor loadings is correlated at only 0.822 with the average of the seven aforementioned immigration policy measures. In the end, I decided to extract factors from unrotated factor loadings based on



Table 2.4: Factor Loadings and Unique Variances

| Variable             | Factor 1 | Factor 2 | Factor 3 | Uniqueness |
|----------------------|----------|----------|----------|------------|
| Nationality          | 0.4669   | -0.0577  | 0.5748   | 0.4482     |
| Skill                | 0.7386   | 0.0416   | 0.2653   | 0.3823     |
| Citizenship          | 0.1810   | 0.6245   | 0.2144   | 0.5313     |
| Other Rights         | 0.3746   | 0.7306   | -0.2339  | 0.2712     |
| Refugees             | -0.6701  | 0.4318   | 0.1632   | 0.3379     |
| Asylum               | -0.5480  | 0.4378   | 0.0929   | 0.4994     |
| Recruitment          | 0.5508   | 0.0867   | 0.5358   | 0.4021     |
| Work Prohibitions    | 0.4687   | 0.5447   | -0.2563  | 0.4180     |
| Deportation          | 0.6026   | 0.4603   | -0.1602  | 0.3993     |
| Enforcement          | 0.7594   | -0.0215  | -0.1640  | 0.3959     |
| Family Reunification | -0.6815  | 0.3654   | 0.2904   | 0.3177     |
| Quota                | 0.6117   | -0.2881  | -0.0185  | 0.5425     |

the costs and benefits of rotation, the correlation with raw immigration policy measures and the descriptive history of immigration policy across multiple countries.

The final factor score covers a variety of immigration regulations and laws that seek to control immigration flows by screening potential immigrants. While most scores come from actual immigration laws in effect, executive policy discretion over deportation and enforcement also contributes to the final makeup of the factor score. A factor analysis based on principal components constructs an immigration policy index by pooling all 29 countries across all years from 1783 to 2013 listed in Table 2.5.

The factor analysis retains two factors with eigenvalues greater than 2. The first factor primarily incorporates the policy dimensions that control immigration flows by erecting legal or administrative barriers to potentially new immigrants. On the other hand, the second factor puts more weight on various social provisions and restrictions to which immigrants are subjected as residents of receiving states. The factor loadings and scoring coefficients in Table 2.6 indicate that the conceptualization of Factor 1 as *Immigration Policy* and Factor 2 as *Immigrant Rights* is justifiable. Given that wealthy countries tend to face some degree of migration pressure, policymakers and capitalists pay more attention to

Table 2.5: Countries Included in the Factor Analysis

| Group           | No. | Country        | Years Included<br>in the Factor Analysis |
|-----------------|-----|----------------|--|
| Settler States  | 1   | United States  | 1790–2010                                |
|                 | 2   | Australia      | 1787–2010                                |
|                 | 3   | Canada         | 1783–2010                                |
|                 | 4   | New Zealand    | 1840–2010                                |
|                 | 5   | South Africa   | 1806–2010                                |
|                 | 6   | Argentina      | 1810–2010                                |
|                 | 7   | Brazil         | 1808–2010                                |
|                 | 8   | Chile*         | 1950–2013                                |
| Western Europe  | 9   | Austria*       | 1950–2013                                |
|                 | 10  | Belgium*       | 1950–2013                                |
|                 | 11  | Denmark*       | 1950–2013                                |
|                 | 12  | Ireland*       | 1950–2013                                |
|                 | 13  | France         | 1793–2010                                |
|                 | 14  | Germany        | 1871–2010                                |
|                 | 15  | Netherlands    | 1815–2010                                |
|                 | 16  | Norway*        | 1950–2013                                |
|                 | 17  | Sweden*        | 1950–2013                                |
|                 | 18  | Spain*         | 1950–2013                                |
|                 | 19  | Switzerland    | 1848–2010                                |
|                 | 20  | United Kingdom | 1792–2010                                |
| Asian Exporters | 21  | Japan          | 1868–2010                                |
|                 | 22  | Hong Kong      | 1843–2010                                |
|                 | 23  | Singapore      | 1955–2010                                |
|                 | 24  | South Korea    | 1948–2010                                |
|                 | 25  | Taiwan         | 1949–2010                                |
| Rentier States  | 26  | Botswana*      | 1966–2013                                |
|                 | 27  | Kuwait         | 1961–2010                                |
|                 | 28  | Saudi Arabia   | 1950–2010                                |
|                 | 29  | Venezuela*     | 1950–2013                                |

\* indicates the countries whose immigration policies have been collected and constructed by the author.

Table 2.6: Factor Loadings and Scoring Coefficients

| Variable             | Factor 1           |                      | Factor 2         |                      | Uniqueness |
|----------------------|--------------------|----------------------|------------------|----------------------|------------|
|                      | Immigration Policy |                      | Immigrant Rights |                      |            |
|                      | Factor Loadings    | Scoring Coefficients | Factor Loadings  | Scoring Coefficients |            |
| Nationality          | 0.467              | 0.117                | -0.058           | -0.028               | 0.779      |
| Skill                | 0.739              | 0.185                | 0.042            | 0.020                | 0.453      |
| Citizenship          | 0.181              | 0.045                | 0.625            | 0.306                | 0.577      |
| Other Rights         | 0.375              | 0.094                | 0.731            | 0.358                | 0.326      |
| Refugees             | -0.670             | -0.168               | 0.432            | 0.212                | 0.365      |
| Asylum               | -0.548             | -0.137               | 0.438            | 0.215                | 0.508      |
| Recruitment          | 0.551              | 0.138                | 0.087            | 0.042                | 0.689      |
| Work Prohibitions    | 0.469              | 0.118                | 0.545            | 0.267                | 0.484      |
| Deportation          | 0.603              | 0.151                | 0.460            | 0.226                | 0.425      |
| Enforcement          | 0.759              | 0.190                | -0.022           | -0.011               | 0.423      |
| Family Reunification | -0.682             | -0.171               | 0.365            | 0.179                | 0.402      |
| Quota                | 0.612              | 0.153                | -0.288           | -0.141               | 0.543      |

\* All values are rounded to three decimal places.

immigration policy rather than immigrant rights.<sup>4</sup>

Across 29 countries and over the two past centuries, the immigration policy score ranges from -2.88 (most restrictive) to 1.50 (most liberal) with zero mean and unit variance in the whole sample. The score correlates highly (at 0.945) with a standardized average of nationality, skill, quota, recruitment, labor prohibitions, deportation, and enforcement. See Figure A.2 for graphs of *Immigration Policy*, *Immigrant Rights*, and a standardized average of the seven aforementioned immigration policy dimensions.

## 2.3 Immigration Policy Effectiveness

Peters (2015) finds a positive correlation between immigration policy openness and immigration inflows per gross domestic product (GDP) in a sample of 19 countries. In this section, I use the World Bank data on immigration stocks and flows to examine whether

<sup>4</sup> Policymakers often use immigrant rights to attract migrants when their open immigration policies are not effective in increasing immigration inflows. Since wealthy democracies attract immigrants for economic and political reasons, their primary method of managing immigration inflows is through entry restrictions.

the immigration policy index I have constructed is correlated with immigration inflows for the 29 countries in the expanded dataset. Given the limited time coverage of the World Bank bilateral migration matrix, I can test the relationship between immigration inflows and immigration policy openness from 1960 to 2013. As both Chapters 3 and 6 only use the immigration policy data after World War II, the results reported in this section provide confirmatory evidence that the immigration policy index used in the dissertation is empirically plausible.

Testing the effectiveness of immigration policy generally requires a gravity model. International migration is driven by both push and pull factors. Civil wars, natural disasters, and other economic and political instability push people out of the developing world. Unless we account for both push and pull factors in a regression analysis, we cannot precisely estimate whether immigration policies are effective. In addition, it is possible that countries immigration policies sometimes fail because they are not attractive destinations or due to increasing migration pressure similar to the ongoing migrant crisis in Europe. Moreover, we need detailed data on low-skill migration. Such data can be very difficult to locate especially for autocracies. Even though immigration policy effectiveness deserves more scholarly attention, actual policies with varying degrees of success clearly show policymakers stances on immigration.

Nonetheless, I run several regressions to see how well immigration inflows respond to the immigration policy index with the following model.

$$\begin{aligned} & \text{Non-OECD Migrant Flows/GDP (in Millions)}_{i,t} \\ &= \beta_0 + \beta_1 \text{Non-OECD Migrant Flows/GDP (in Millions)}_{i,t-1} \\ &+ \beta_2 \text{Immigration Policy}_{i,t-1} + \sum_{k=3}^K \left( \beta_k \text{Control Variable}_{(k-4),it} \right) + \alpha_i + \mu_t + \epsilon_{it}, \end{aligned}$$

where  $\text{Non-OECD Migrant Flows/GDP (in Millions)}_{i,t}$  is a receiving state  $i$ 's number of incoming foreign-born individuals from non-OECD countries divided by  $i$ 's GDP in year  $t$ ,  $\text{Immigration Policy}_{i,t-1}$  is the immigration policy openness index of country  $i$  in year  $t$ ,

$t - 1$ , and  $\alpha_i$  and  $\mu_t$  indicate country fixed effects and year fixed effects, respectively.

I computed the dependent variable for year  $t$  by subtracting  $i$ 's non-OECD foreign-born stock in year  $t - 1$  from  $i$ 's non-OECD foreign-born stock in year  $t$  and dividing this value by  $i$ 's total GDP in U.S. dollars in year  $t$ . To decide which sending countries are members of OECD, I used the OECD's official accession dates. Then, I retrieved bilateral migration stock data between countries  $i$  and  $j$  to compute  $i$ 's non-OECD migration stock in year  $t$ . Since the bilateral migration stock is only available at 10-year intervals and generally follows a linear trend, I used linear interpolation to fill in missing values. I used non-OECD migration stocks to capture the inflows of low-skilled workers. While this measure likely includes medium- and high-skilled workers, I believe this is currently the best measure of low-skilled workers because we do not have access to individual-level migration data with different skill categories. I divided migration flows by GDP rather than population because large economies can absorb more immigration. In some models, I include the log of population as a control to account for population differences.

Throughout the regression models, I include the lagged dependent variable to account for any time dependency of migration flows. In addition to country  $i$ 's macroeconomic variables, I include migration-weighted variables that capture some of the pull and push factors between receiving states  $i$ 's and sending states  $j$ 's. For instance, I include the distance between  $i$  and  $j$ . Since  $i$  faces migration pressure from multiple sending states, I weight the distance by each sending state  $j$ 's migrant share of  $i$ 's total migrant stock in year  $t$ . I use migration weights because migrants tend to move to countries where their co-ethnics reside.<sup>5</sup> More formally,

$$\text{Migration-Weighted Distance}_{i,t} = \sum_{j=1}^n M_{ji,t} \text{Distance}_{ij,t},$$

---

<sup>5</sup>This is because migrant networks help decrease the risks of migration and the transaction costs of relocating to host countries (Portes and Böröcz, 1989; Portes, 1995; Massey et al., 2005). More specifically, co-ethnic networks facilitate the process of finding work (Massey and Espinosa, 1997; Rex and Josephides, 1987; Hily and Poinard, 1987; Wilpert, 1988), finding housing (Bailey and Waldinger, 1991; Sassen, 1995; Ivan, Bernard and Kim, 1999), and integrating into society in host states (Boyd, 1989; Eric and Ooka, 2006; Hagan, 1998).

where Migration-Weighted Distance $_{i,t}$  is the migration-weighted geographic distance between country  $i$ 's capital and country  $j$ 's capital in year  $t$ ,  $M_{ji,t}$  is the number of foreign-born nationals from country  $j$  as the percentage of country  $i$ 's total immigration stock in year  $t$ ,  $Distance_{ji,t}$  is the geographic distance between country  $i$ 's capital and country  $j$ 's capital for time  $t$ . I repeat the same procedure to compute migration-weighted colonial legacy, common official language, and geographic contiguity. Finally, I use lagged independent variables to mitigate the endogeneity concern.

Table 2.7: Immigration Inflows and Immigration Policy (1961–2013)

| DV: Non-OECD Migrant Flows/GDP (in Millions) $_{i,t}$        | Model 1             | Model 2               | Model 3               |
|--|---------------------|-----------------------|-----------------------|
| Non-OECD Migrant Flows/GDP (in Millions) $_{i,t-1}$          | -0.027<br>(0.027)   | -0.034<br>(0.027)     | -0.053<br>(0.034)     |
| Immigration Policy $_{i,t-1}$                                | 0.278***<br>(0.038) | 0.262***<br>(0.040)   | 0.243***<br>(0.038)   |
| Log of GDP Per Capita $_{i,t-1}$                             |                     | 1.131***<br>(0.154)   | 0.679***<br>(0.101)   |
| GDP Growth $_{i,t-1}$  |                     | -0.149<br>(0.471)     | 0.215<br>(0.489)      |
| Log of Population $_{i,t-1}$                                 |                     | 0.530***<br>(0.130)   | 0.580***<br>(0.130)   |
| Log of Migration-Weighted Distance between $i$ and $j_{t-1}$ |                     |                       | 0.622***<br>(0.144)   |
| Migration-Weighted Colonial Legacy after 1945 $_{t-1}$       |                     |                       | 0.532**<br>(0.174)    |
| Migration-Weighted Official Common Language $_{t-1}$         |                     |                       | 1.054***<br>(0.237)   |
| Migration-Weighted Geographic Contiguity $_{t-1}$            |                     |                       | -0.139<br>(0.151)     |
| Constant   | 0.463***<br>(0.049) | -20.319***<br>(3.444) | -22.674***<br>(3.706) |
| Observations   | 1401                | 1400                  | 1400                  |
| Countries  | 29                  | 29                    | 29                    |
| R <sup>2</sup>   | 0.068               | 0.076                 | 0.094                 |

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of immigration inflows from non-OECD countries in year  $t$ . Panel-corrected standard errors are shown in parentheses. \*\*\*, \*\*, \* and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects are included in all models.

Table 2.7 shows that the LSIP index of country  $i$  in year  $t - 1$  is positively associated with non-OECD immigration inflows in  $i$ . Additionally, wealthy or populous countries

attract immigrants from non-OECD countries. Colonial legacy and the use of a common language are also positively correlated with an increase in immigration inflows from non-OECD countries. Substantively, a one standard-deviation increase, approximately 0.82, is associated with 205 more immigrants per one billion of GDP.

## CHAPTER 3

### Primary Resources, Secondary Labor

#### Abstract

This chapter explores the link between natural resource wealth and immigration policy formation in wealthy democracies. I argue that substantial natural resource wealth leads to policy restrictions on immigration inflows by reducing the size of the pro-immigration business coalition. When labor-intensive firms in the tradable sector perish due to deindustrialization during a resource boom, they no longer lobby for pro-immigration policy. Moreover, trade liberalization exacerbates this negative effect of natural resource income on immigration policy openness by expediting firm deaths in the tradable sector. These adverse effects do not materialize in economies lacking resource income, so firms there seek to remain viable under trade liberalization by supporting pro-immigration policy. Using a sample of 20 wealthy, labor-scarce democracies around the world from 1945 to 2013, I find strong evidence for the theoretical predictions. The chapter contributes to the literature on the politics of immigration by illustrating the mechanisms through which natural resource wealth and trade policy shape firms' support for LSIP.



### 3.1 Introduction

Why do some policymakers open their borders to unskilled immigrants while others restrict immigration? During the post-World War II reconstruction, governments of many wealthy countries opened their borders to low-skilled immigrants. In the meantime, these labor-scarce economies began to liberalize trade through a series of bilateral and multilateral negotiations. Prior to the 1970s, labor from the developing world was relatively free to move into labor-scarce economies while barriers to international trade started falling. In the 1970s, the labor-scarce economies of the industrialized world began to diverge in their immigration policies, with some adopting sharp restrictions on unskilled immigration even as others remained relatively open. The extant theories do not explain this puzzling variation very well by overlooking the factors that influence firms' support for LSIP.

Many existing theories of immigration policy formation focus on the role of native citizens without assessing how citizens gain or lose influence in immigration policy formation. What is missing from the existing literature is a careful assessment of how pro-immigration interests can defeat anti-immigration pressure in immigration policy formation and how pro-immigration interests emerge or disappear in domestic politics. Following the theoretical framework in Peters (2014, 2015, 2017), I diverge from much of the existing literature by treating labor-intensive firms (henceforth, *firms*) as a primary driving force behind immigration policy and assuming that policymakers are only interested in their chances of re-election. This simple framework tells us how firms respond to trade liberalization under different circumstances and how policymakers react to business support for immigration subject to their political constraints.

As the international goods market becomes more integrated, labor-intensive firms face more competitive pressure from foreign producers of labor-abundant countries (Stolper and Samuelson, 1941). In theory, firms should seek other forms of compensation, such as more liberal immigration policy during trade liberalization. Yet many wealthy labor-scarce economies have placed restrictions on immigration flows. Is it that firms have abandoned

immigration as a viable strategy for survival? And how can we explain this policy outcome, given that trade liberalization increases firms' incentive to lobby for more foreign labor?

I argue that a country's natural resource wealth, and particularly its expansion in resource booms, plays a crucial role in shaping the level of business support for increases in immigration. Revenues from natural resource production can decrease the size of the pro-immigration coalition through an economic phenomenon known as the Dutch Disease. Natural resource windfalls increase public and private spending across the economy, inducing an accompanying boom in the non-tradable sector. As domestic workers seek higher wages in the non-tradable sector in a resource-rich economy, firms in the tradable sector face labor shortages while exchange rate appreciation resulting from resource exports hurts firms even further. I argue that a country's economic dependence on natural resource income decreases firms' chance of survival under trade liberalization. Therefore, in resource-rich economies, trade liberalization leads to fewer pro-immigration firms. However, in an economy lacking natural resources, more firms rely on foreign labor in order to deal with the competitive pressure of trade liberalization. These differences in business demand for low-skilled labor result in different immigration policy adjustments in response to trade liberalization.

This argument makes several important contributions. Most importantly, I focus on the role of special interests in immigration policy formation while treating mass interests as one of many domestic interest groups. In addition, I propose a novel comprehensive theory of immigration policy formation by assessing how the two important forces of the post-World War II (WWII) global economy, natural resource production and trade liberalization, influence the level of special interests' support for open immigration policy. Furthermore, the empirical analysis exploits one of the most comprehensive datasets on LSIP over a long time period.

This chapter continues as follows. First, I introduce the economic concept of the Dutch Disease and how it affects firms and the extent to which policymakers are vulnerable to

firms' immigration policy preferences. I then suggest testable hypotheses by examining how trade openness affects firm support for immigration policy under various levels of resource wealth. Second, I describe how I collected and coded additional country-year observations, and I justify sample selection. Third, I assess the empirical validity of the proposed hypotheses. I place my argument under rigorous empirical scrutiny by using different statistical techniques and providing industry-level evidence on immigration lobbying. Furthermore, I include several indicators of alternative explanations for immigration policy variation and evaluate their empirical validity. I close this chapter with research and policy implications for immigration policy around the world.

### **3.2 Resource Wealth, Trade and Immigration Policy**

Government policies of labor-scarce economies in the international goods and labor markets have intrigued scholars across disciplines. Economists have long argued that importing labor-intensive goods is essentially equivalent to allowing low-skilled labor to immigrate (Meade, 1957; Mundell, 1957). Policymakers who want to keep prices low can either import inexpensive goods from labor-abundant countries through free trade or use immigrant labor to produce labor-intensive goods domestically at lower costs by opening their borders. From the perspective of a policymaker whose primary goal is to exploit the benefits of economic openness, trade and immigration policies are at least partial substitutes. Some scholars have called this inverse policy correlation a *dual policy paradox* because low-skilled voters in labor-scarce countries succeeded in securing restrictions on immigration inflows but failed in maintaining trade protection (Hatton and Williamson, 2005, 2007).

There are three main flaws in this usual approach. First, the logic of factor endowments does not elaborate on why policymakers choose a particular combination of trade and immigration policies. Second, the assumption that policymakers open trade or immigration

in order to achieve economic openness is at odds with our usual assumption of political survival, that is, policymakers' desire to stay in power drives their policy choices. Third, labor-centered arguments of trade and immigration policies cannot explain why native labor was unable to resist policy trends toward free trade and open immigration prior to the 1970s but were able to keep their borders closed only to immigration after the 1970s in some countries. Furthermore, labor-scarce countries have adopted divergent immigration policies in response to trade liberalization, casting doubt on the pervasiveness of a dual policy paradox.<sup>1</sup> Despite the political saliency of immigration in democracies, existing theories on the relationship between trade and immigration policies do not elaborate on various constraints policymakers face while making immigration policy.

I now examine how revenues from capital-intensive natural resource production change labor-intensive firms' competitiveness and support for immigration policy in labor-scarce economies under various degrees of trade protection. I then explore how policymakers make immigration policies, given firms' relative influence in domestic politics. I focus on immigration policy that controls cross-border inflows of low-skilled workers from multiple countries into a single labor-scarce economy. The concept of immigration policy used in this project is, therefore, a national policy that seeks to control inflows of low-skilled foreign individuals from a multitude of sending states. For simplicity, I take trade policy as exogenous while assessing firms' immigration policy preferences.<sup>2</sup>

### **3.2.1 Firms and the Dutch Disease**

I begin by introducing the concept of the Dutch Disease, a term coined by *The Economist* to describe the apparent deindustrialization of the Dutch economy after the discovery and extraction of natural gas reserves in 1959.<sup>3</sup> When an economy extracts capital-intensive

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<sup>1</sup>Sweden since 1995 is the most obvious example of free trade and relatively open immigration policy.

<sup>2</sup>In Appendix B.2, I relax this assumption to elaborate on how resource wealth can affect both trade and immigration policies.

<sup>3</sup>See "The Dutch Disease" (November 26, 1977), *The Economist*, 82–83.

natural resources, labor-intensive firms in the tradable sector, namely manufacturing and agriculture face unusual economic circumstances. First, the booming natural resource industry will attract mobile labor and capital from the tradable sector. This shift of factors into a booming sector is called the *resource movement effect*.<sup>4</sup> This effect, however, is negligible for labor-intensive firms because natural resources, especially hydrocarbon and minerals require very little labor for exploration and extraction.

Second, substantial resource production often generates a sudden wealth windfall, leading to higher levels of private and public spending. As more wealth circulates in the economy, individuals seek to consume more goods and services. The domestic prices of tradable goods are fixed at the world prices plus some domestic import duties. Since the prices of non-tradable goods, such as services can be adjusted domestically, extra spending leads to higher prices of non-tradable goods, increasing labor demand in industries that produce non-tradable goods. Meanwhile, workers in the tradable sector move to the booming non-tradable sector. This is the *spending effect* of the Dutch Disease.<sup>5</sup> The relative price increase of non-tradable goods leads to *real* exchange rate appreciation. The domestic wage and the prices of non-tradable goods rise relative to the prices of tradable goods. More units of foreign currency are now necessary to purchase domestic goods and services that cannot be traded internationally. In other words, imports have become inexpensive relative to comparable domestic goods and the domestic wage.

In a resource-rich economy, the non-tradable sector expands production while the tradable sector shrinks. In the absence of trade protection, labor-intensive firms in the tradable sector face a higher domestic wage and a lower output price. Lobbying for immigration policy is no longer sufficient to keep their businesses profitable. Firms that perish do not make contributions for pro-immigration policy or pay taxes to policymakers.

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<sup>4</sup>Labor is likely to be more mobile between sectors than capital because the cost of liquidation and transition of capital from one sector to another can be high. Most service industries in the non-tradable sector such as retail and construction do not require specialized skills. For instance, see (Iversen and Rosenbluth, 2010, 35).

<sup>5</sup>See Corden and Neary (1982). An important assumption in the Dutch Disease literature is a small open economy where international trade is not completely closed.

Firms in the non-tradable sector are less likely to lobby for immigration policy than firms in the tradable sector because the prices of non-tradable goods can be adjusted to wage fluctuations. As more firms that support pro-immigration policy vanish due to the adverse effects of resource wealth and trade liberalization, other interest groups gain more influence on immigration policy formation. In a resource-scarce economy, however, firms are more likely to stay in business while lobbying for immigration in response to trade liberalization. This is because firms do not easily die when they do not suffer from the adverse effects of resource wealth in the labor and currency markets.

While capitalists in labor-intensive industries, tradable or non-tradable, generally prefer immigration, variation in the aggregate business support for more open immigration policy depends on labor-market dynamics and the extent to which the global economy affects firms. The extraction, production and sale of natural resources lead to a decrease in business support for pro-immigration policy when trade is relatively open. In a resource-rich economy, trade and immigration policies are negatively correlated in terms of openness. In a resource-scarce economy, trade liberalization is positively correlated with immigration policy openness.

Given the preferences of firms, how do policymakers behave in immigration policy-making? Policymakers in democracies must balance between domestic interest groups who oppose immigration and pro-immigration firms. Native workers dislike migrant workers for cultural and economic reasons (Freeman, 1995; Hainmueller and Hiscox, 2007, 2010; Scheve and Slaughter, 2001*b*; Zolberg, 1989). In addition, immigrants are perceived to compete against a sub-population of native workers in labor-intensive industries. Furthermore, some argue that immigration increases income inequality because land and capital owners benefit from immigration-induced labor supply growth while workers lose (Hatton and Williamson, 2005, 2007). Therefore, workers oppose immigration while rising inequality can exert substantial pressure for redistribution on policymakers when more immigrants arrive. Without the support of labor-intensive firms for open immigration

policy, policymakers respond to voters' various concerns over low-skill immigration by implementing restrictive immigration policy.

How do firms influence immigration policy formation? There are multiple channels of firms' influence in policymaking. First, more support from firms implies more tax revenues which policymakers can use to increase their re-election chance. In the context of U.S. politics, firms also exert influence through campaign contributions during elections. More broadly, firms' contributions allow incumbents to provide public and private goods to their constituencies. In this respect, policymakers seek to prevent firm deaths for taxes firms pay. Second, policymakers and firms may have close government-business relations through which policymakers internalize the policy preferences of firms subject to their electoral constraints. When pro-immigration firms perish, policymakers no longer have interests in opening immigration. Then policymakers restrict immigration in order to appease other interest groups that oppose immigration. This is why firms' lack of support or indifference toward open immigration leads to restrictions in representative democracies but not under other institutional settings. Similarly, if policymakers know that more immigration cannot keep firms alive, they do not implement open immigration policy. As long as firms can remain viable in the tradable sector with an influx of foreign labor, policymakers make immigration policy more open.

*Hypothesis 1: An increase in resource wealth reduces immigration policy openness when trade is relatively open.*

Hypothesis 1 states that resource wealth leads to restrictions on immigration inflows and that increasing trade openness exacerbate this relationship. In theory, when trade is completely closed, the effect of resource wealth on immigration policy openness should be null. In practice, all economies maintain some exposure to international trade. The degree of trade openness then conditions the extent to which natural resource

wealth decreases immigration policy openness. This implications emphasizes the important role of firms in immigration policy formation and how their support for open immigration policy depends on factor intensity and tradability of their products or services.

*Hypothesis 2: In a resource-rich economy, trade and immigration policy-openness are negatively correlated.*

*Hypothesis 3: In a resource-scarce economy, trade and immigration policy-openness are positively correlated.*

Hypotheses 2 and 3 state that the size of resource wealth modifies the direction and the magnitude of the effect of trade liberalization on immigration policy openness. Note that Hypotheses 1 and 2 make predictions about immigration policy variation in countries that have experienced natural resource booms while Hypothesis 3 makes a prediction about the relationship between trade and immigration policies in countries with little or zero natural resource wealth. In sum, the hypotheses offer how trade liberalization, natural resource wealth, or the interaction of both affects immigration policies in resource-rich and resource-scarce economies.

### **3.2.2 Natural Resources, Tax Base and Inter-sectoral Labor Mobility**

Natural resource abundance also changes two other constraints that policymakers face. First, it changes policymakers' revenue sources. As the resource industry and the non-tradable sector expand production, policymakers become less fiscally reliant on labor-intensive firms in the tradable sector. Since these emerging sectors provide less support for pro-immigration policy than firms in the tradable sector, policymakers are more likely to accommodate anti-immigrant interest groups in the presence of substantial resource wealth. Second, resource wealth frees native labor from the tradable sector by providing



jobs in the non-tradable sector. As domestic labor becomes less tied to firms in the tradable sector, it becomes easier for policymakers to ignore the political demand of these firms. More firm deaths imply lower business support for open immigration. In the absence of resource wealth, however, domestic labor is tied to firms in the tradable sector, making these firms more influential in policymaking. Therefore, trade liberalization induces policymakers in resource-scarce economies to open immigration in order to help firms that employ labor while depressing the wage.

Firms with access to foreign labor then concentrate immigrant workers in labor-intensive, low-skilled divisions of production. In the meantime, firms reassign native workers to more communication-intensive tasks (D'Amuri and Peri, 2014). The complementarity between immigrant and native workers may explain why it is politically feasible for policymakers to open immigration in response to trade liberalization. Workers that are tied to a certain industry may not oppose their employers' use of foreign labor as long as immigrant workers help their firms stay in business, providing them with jobs, especially new jobs that are physically less demanding and more communication-oriented. The Japanese government's recent efforts to supply temporary migrant workers into labor-intensive divisions of manufacturing sectors exemplify this dual labor market structure under which migrant workers and native workers complement each other.<sup>6</sup>

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<sup>6</sup>Japanese firms in the car, electronics, and food-manufacturing sectors have started relying on migrant workers, most of whom are descendants of Japanese immigrants who migrated to Latin America before World War II. Most migrant workers to Japan use recruiting agencies to find work. Agencies send them to labor contractors in Japan and dispatch them to Japanese factories. The Japanese government has relaxed controls on immigration flows as Japan became more integrated into the global goods market. See Higuchi (2005, pp. 1) for more information.

## 3.3 Empirical Analysis

### 3.3.1 Sample Selection

For immigration policy, I use the LSIP dataset described in Chapter 2. I restrict my analysis to democracies by using a binary regime classification.<sup>7</sup> Since Hong Kong's political regime is not classified, I exclude the country from empirical analysis. In addition, I exclude some observations of Switzerland since popular referenda started dictating Swiss national immigration policy almost exclusively since 1991 in a direct democracy setting.

Reducing the dataset to a sample of democracies meets the core assumptions of the argument. First, the policymaker balances between special interests and voters to maximize her utility. Second, I have deduced firm preferences over immigration policy under the assumption of efficient market competition. Due to these two assumptions, the hypotheses are not suitable to evaluate immigration policy in autocracies where market competition and voter influence over immigration policy are severely limited. Furthermore, oil-rich autocracies use their discretion over resource income to distribute rents to the masses, which distorts the labor market by affecting citizens' incentive to work, which in turn leads to heavy reliance on foreign workers.<sup>8</sup> While most Western European countries became popular destinations for immigrants since the end of World War II, Spain and Ireland became new destinations for immigrants in the mid-1980s and 1990s, respectively. The immigration policies of these emerging immigrant destinations became much more dynamic after the mid-1980s and 1990s when these countries started receiving migration pressure from the developing world. Therefore, I only include years after 1985 and 1990 for Spain and Ireland, respectively.<sup>9</sup> I also restrict the sample to the post-WWII era in which democracies in the West became consolidated, stable and more inclusive. In a sample that meets these criteria, the immigration policy variable ranges from  $-2.86$  (most restrictive)

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<sup>7</sup>Przeworski et al. (2000) provide the original dataset on regime types. Cheibub, Gandhi and Vreeland (2010) have updated this regime indicator to 2013.

<sup>8</sup>See Chapter 6 for the effect of natural resource rents on immigration policy in autocracies.

<sup>9</sup>Including all years of Ireland and Spain does not change the central results of the analysis.

Table 3.1: Democracies Included in the Sample

| Group           | No. | Country        | Years Included | Resource Income |
|-----------------|-----|----------------|----------------|-----------------|
| Settler States  | 1   | United States  | 1946-2010      | High            |
|                 | 2   | Canada         | 1946-2010      | High            |
|                 | 3   | Australia      | 1946-2010      | High            |
|                 | 4   | New Zealand    | 1946-2010      | High            |
|                 | 5   | South Africa   | 1994-2010      | High            |
| Asian Exporters | 6   | Japan          | 1946-2010      | Low             |
|                 | 7   | South Korea    | 1988-2010      | Low             |
|                 | 8   | Taiwan         | 1996-2010      | Low             |
| Western Europe  | 9   | Austria        | 1950-2013      | Low             |
|                 | 10  | Belgium        | 1950-2013      | Very Low        |
|                 | 11  | Denmark        | 1950-2013      | High            |
|                 | 12  | France         | 1946-2010      | Middle          |
|                 | 13  | Germany        | 1946-2010      | Middle          |
|                 | 14  | Ireland        | 1991-2013      | Middle          |
|                 | 15  | Netherlands    | 1946-2010      | High            |
|                 | 16  | Norway         | 1950-2013      | Very High       |
|                 | 17  | Spain          | 1986-2013      | Low             |
|                 | 18  | Sweden         | 1950-2013      | Middle          |
|                 | 19  | Switzerland    | 1946-1990      | Very Low        |
|                 | 20  | United Kingdom | 1946-2010      | High            |

to most liberal (.42) with a mean of  $-.84$  and standard deviation of  $.73$ .

In the factor analysis, I pool both democracies and autocracies to uncover a latent structure from the 12 dimensions of immigration policy over the past two centuries. One may suggest that I should restrict the factor analysis to a set of democracies after 1945 since I am only using a sample of democracies in the analysis. I propose three counterarguments against this suggestion. First and most importantly, my sample choice should not affect how immigration policy scores are generated. I have chosen a particular sample based on the theoretical assumptions of the argument. These theoretical concerns are irrelevant to the factor analysis and should not decide which observations should be included in the factor analysis. Second, I am interested in using as many observations as possible to uncover a representative latent structure of the data. Since my sample choice should not drive how factors are retrieved, I take advantage of the full dataset in constructing

an immigration policy score. Third, I do not see any fundamental differences between the factor analyses of immigration policies of democracies and autocracies based on the coding scheme.

It is conventional wisdom that migrants coming to democracies seek to settle permanently while temporary migrants tend to flow into autocracies. However, this is not always true. Even immigrants in the U.S. during the nineteenth century often returned to their home countries.<sup>10</sup> Moreover, many of the guest worker programs in Western Europe after the Second World War were intended to be temporary (Castles, 1986). Furthermore, the ethnic Chinese intended to settle permanently in the autocratic South Korea prior to the persecution of the Park regime. Since I do not see any compelling theoretical or empirical grounds for running separate factor analyses for democracies and autocracies or across different time periods, I utilize the full dataset in order to compute a representative immigration policy score. Moreover, the coding scheme is designed to compare multiple countries' immigration policies over different time periods. Excluding autocracies or countries from a certain time period ignores this comparative function of the coding scheme and sacrifices a large number of observations in the factor analysis.

### **3.3.2 Data on Explanatory Variables**

The end of World War II marks the beginning of a large-scale resource boom on a global scale, showing a wide cross-national variation of resource income over time. Although a series of gold rushes and other mineral booms occurred in the 19th century, we currently do not have reliable data on gold production during that period. The most comprehensive dataset on resource income collected by Haber and Menaldo (2011) provides gold data from 1900. Furthermore, the assumptions of efficient market competition and electoral

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<sup>10</sup>Although it is true that the high transportation cost discouraged return migration during most of the nineteenth century, return migration began to rise due to decreasing transportation costs across the Atlantic. Hatton and Williamson (1998, 9) report that about 30 to 47 percent of Italian and Spanish immigrants returned home from the New World in the late nineteenth century while most Russians, Irish and Scandinavians settled permanently.

accountability between native voters and policymakers are unlikely to hold for many “democracies” prior to 1946. For these reasons, the analysis begins in 1946. I have expanded the resource income dataset to cover years up to 2013 by using growth rates of resource income from the World Bank’s *World Development Indicators*.<sup>11</sup> Resource income includes fuel (i.e. oil, gas and coal) as well as valuable minerals (i.e. gold, diamonds, silver and copper). The production quantity of each resource is multiplied by the real world price, expressed in thousands of 2007 U.S. dollars. To measure the size of a boom in each economy, the total income from all resources is divided by population in a given year and logarithmized. I use this resource income measure,  $\ln(\text{Resource Income})$  because the theory of this project focuses on the spending effect of the Dutch Disease as a primary mechanism of immigration policy formation.

For trade openness, I use *Tariff Level* from the tariff dataset compiled by Clemens and Williamson (2004), measuring the total value of import duties divided by the total value of imports.<sup>12</sup> For years after 1999, Peters (2015) collected tariff data for most of the countries included in her immigration policy dataset. I updated the tariff data for the new countries for missing years. For instance, since Sweden joined the European Union Customs Union (EUCU) in 1995, the country has been subjected to the common European Union (EU)-wide tariff levels. Norway, however, has not participated in the EUCU, so I use the World Bank’s *World Development Indicators* to measure Norway’s trade openness. Austria and Belgium have been members of the EUCU for decades, so they take identical values for many years. For certain country-year observations, the trade openness indicator is a policy variable, not an actual amount of duties collected by governments over an actual amount of imports. Since numerous factors concerning the supply and demand of imports drive the actual flows of imports, I use tariff rates instead of imports divided by

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<sup>11</sup>Haber and Menaldo used the Penn World Table to retrieve data on resource income and macroeconomic indicators. To be consistent with their data, I used growth rates of the World Bank’s *World Development Indicators* to fill in missing data for most recent years in the dataset.

<sup>12</sup>For Denmark before 1970, I use Johansen (1985) to compute tariff rates as a share of customs duties (“told”, pp. 327 and 330) to total merchandise imports (“samlet vareindførsel” pp. 196–7).

GDP.

### 3.3.3 Graphical Illustration

Before specifying an empirical model and discussing the results of several multivariate analyses, I first present some graphical illustrations of the relationship between trade and immigration policies.<sup>13</sup> I focus on resource-rich democracies that have experienced different degrees of booms to see if there is any visible pattern of a changing policy correlation over time within each country and any pattern that shows the effect of resource income on immigration policy under various degrees of trade openness. First, I examine the Dutch policies over trade and immigration to see if the actual Dutch Disease had any effect on the policy correlation and immigration policy in the Netherlands. I compare the Dutch experience with its Scandinavian neighbors, Denmark, Norway and Sweden. In addition, I graphically examine the United States with Canada and Australia with New Zealand.

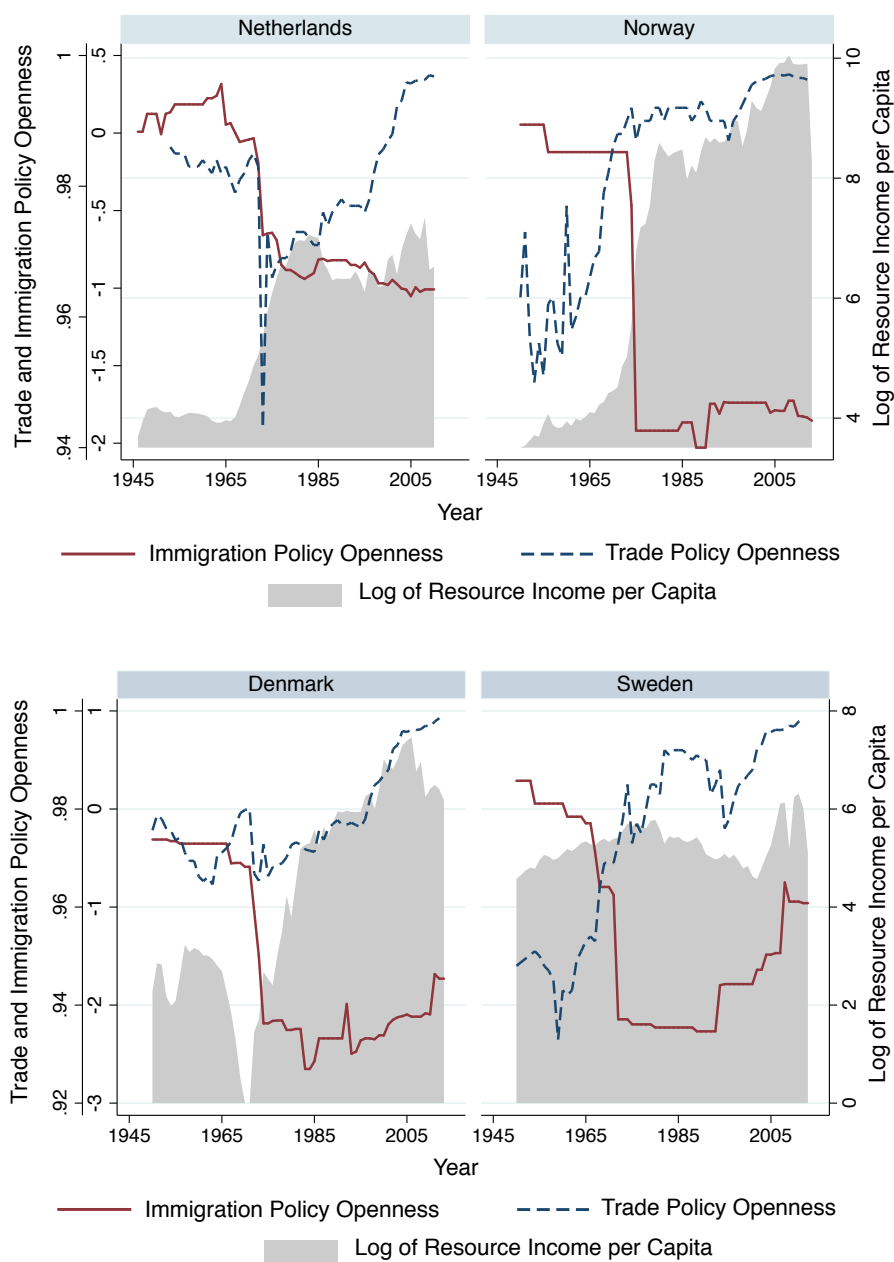
Figure 3.1 shows trade and immigration policy trends under various levels of resource income in the Netherlands and Scandinavia. The y-axis scale on the far left measures trade policy openness (one minus the tariff rate) while the y-axis scale to the right of the trade policy scale measures immigration policy openness. Note that although trade policies of the Netherlands and Norway tend to be volatile, the tariff level never exceeds 6 percent between 1945 and 2013. Given that these countries are small open economies in terms of trade, we should expect that a large increase in resource income significantly reduces immigration policy openness. The negative correlation between the natural log of resource income per capita and immigration policy openness is striking for the two economies. The Dutch immigration policy responds to even small changes in the natural gas boom.

The abrupt end of Norwegian open immigration policy in 1975 also completely coincides with an oil boom in the early 1970s. What about the correlation between trade and

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<sup>13</sup>See Appendix A.2 for additional information about the data on immigration policy.

Figure 3.1: Trade and Immigration Policies in the Netherlands and Scandinavia



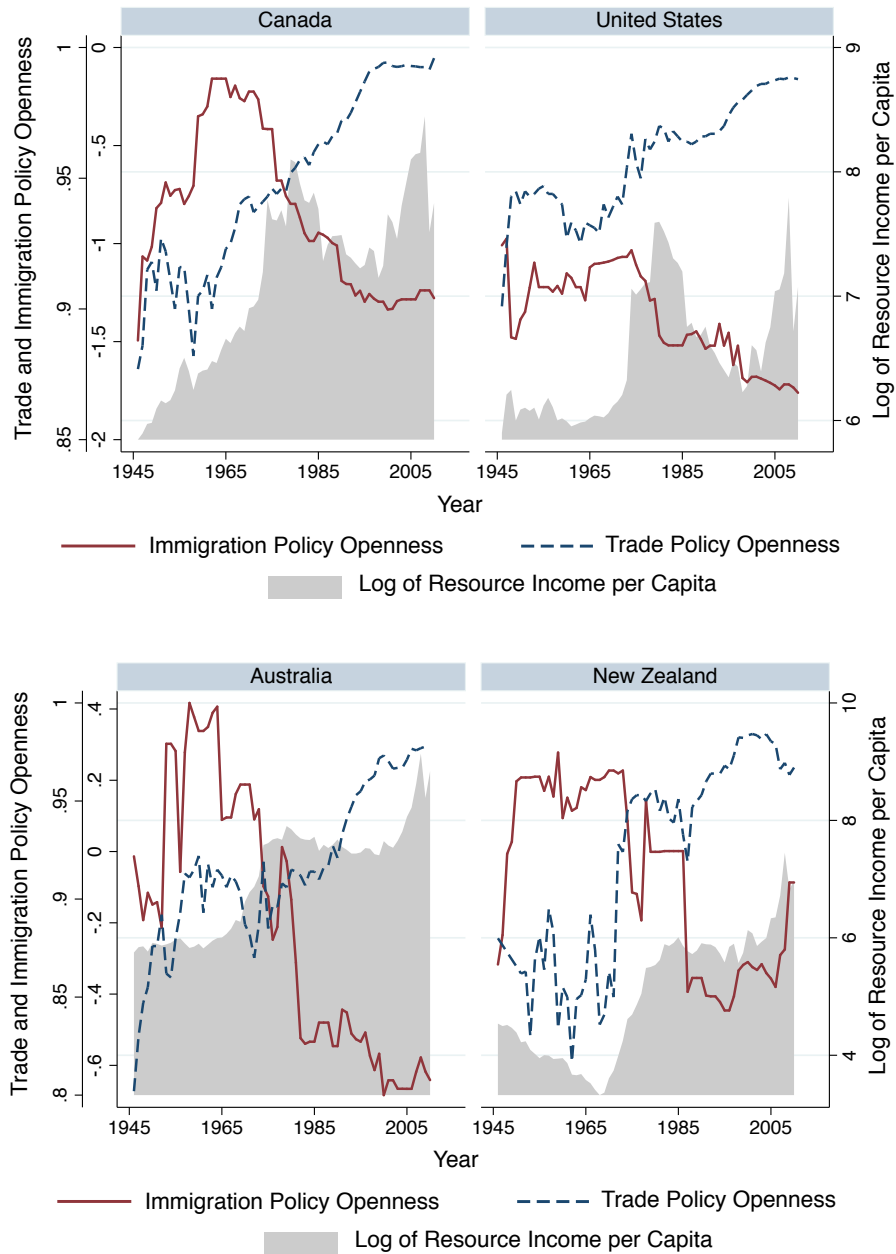
immigration policies? Resource income levels in the two economies peaked during the 1970s. According to Hypothesis 3, an increase in trade openness should reduce immigration policy openness in the presence of substantial resource wealth. The Dutch trade policy shows a negative relationship with immigration policy after the 1970s. A similar pattern characterizes the Norwegian immigration policy after 1970.

The graphs show that the Netherlands and the Scandinavian countries introduced restrictive measures at different times during the 1970s. Denmark and Sweden shut doors to Third World nationals in 1972, followed by Norway's complete ban on labor migration in 1975. Only Sweden made significant progress in reforming immigration policy to be more inclusive in the 1990s while, as of today, the other countries' immigration policies are still based on the 1970s immigration ban. Despite the political and cultural similarities, these welfare states have implemented widely different immigration policies. Only Sweden, a relatively resource-scarce country in the region, responded to trade liberalization by welcoming labor immigrants since the mid-1990s.

What about the wealthy democracies in the New World (Figure 3.2)? Prior to 1970, trade was relatively closed in Canada. According to Hypothesis 2, we should expect that growing resource income does not reduce immigration policy openness prior to 1970. No negative relationship between resource wealth and immigration policy openness exists in Canada prior to the 1970s. The U.S. immigration policy prior to 1970 also shows this pattern. As trade opens up further and resource wealth continues in the two economies after the 1970s, we observe a steep downward pattern of immigration policy in North America as predicted. When the resource boom in the U.S. slowed down in the mid-1980s, we see that immigration policy is less responsive to increasing trade liberalization. Finally, I take a look at Australia and New Zealand to see if their experience is similar to North America and the resource-rich European economies (Figure 3.2). Both economies show some patterns that provide more illustrative support for some of the predictions. Most importantly, we observe a strong negative policy correlation between trade and



Figure 3.2: Trade and Immigration Policies in Neo-Britains



immigration as resource wealth increases.

### 3.3.4 Empirical Strategy

A quick look at the figures reveals ample evidence for the predictions. Trade policy and resource wealth seem to explain most of the variation in immigration policy of countries in multiple regions across the globe. With these pictures in mind, I use multivariate analyses to assess the empirical validity of the predictions. The following ordinary least squares (OLS) specification with clustered standard errors or panel-corrected standard errors evaluates the hypotheses after 1945. In the sample of 20 countries, I cannot compute panel-corrected standard errors since no time periods are common to all countries.<sup>14</sup> However, when I include additional controls that are specific to early members of the OECD, the sample shares common time periods. I use panel-corrected standard errors when possible and report the results in Table 3.3.

$$\begin{aligned} \text{Immigration Policy}_{it} = & \beta_0 + \beta_1 \text{Immigration Policy}_{it-1} + \beta_2 \text{Tariff Level}_{it} \\ & + \beta_3 \text{Log of Resource Income per Capita}_{it} \\ & + \beta_4 \text{Tariff Level}_{it} \times \text{Log of Resource Income per Capita}_{it} \\ & + \sum_{k=5}^K \left( \beta_k \text{Control Variable}_{(k-4),it} \right) + \alpha_i + \mu_t + \epsilon_{it}, \end{aligned}$$

where  $\alpha_i$  and  $\mu_t$  indicate country fixed effects and year fixed effects, respectively, and Tariff Level is the total value of import duties divided by the total value of imports, and multiplied by 100 for straightforward interpretation. When Tariff Level is equal to zero, trade is completely open. This means that  $\beta_3$  is the effect of resource income on immigration policy under free trade and that  $\beta_2$  is the effect of trade *protection* when a country does not have any resource income. Using the trade protection indicator instead of the openness indicator facilitates a more straightforward interpretation of the coefficients. The expected

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<sup>14</sup>See Beck and Katz (1995).

sign of  $\beta_2$  is now negative because Hypothesis 3 predicts a positive correlation between trade *openness* and immigration policy openness. The sign of  $\beta_3$  is expected to be negative because resource income reduces immigration policy openness under free trade according to Hypothesis 1. The coefficient of the interaction term,  $\beta_4$  is expected to be positive according to Hypotheses 1 and 3.

I estimate the base model with the first set of control variables. I include  $\ln(\text{Population})$  at  $t - 1$ , *GDP Growth* and  $\ln(\text{GDP per capita})$ . I lag the population variable a year to mitigate the endogeneity concern. Including  $\ln(\text{GDP per capita})$  addresses the concern that resource wealth attracts foreign labor or discourages emigration, inducing policymakers to close their borders in anticipation of increasing population. It is not resource wealth but economic wealth that attracts immigrants. For instance, both Norway and Switzerland are popular immigrant destinations although Norway is abundant in oil while Switzerland does not have any natural resources. I also control for growth rates since resource production is often negatively correlated with economic growth which in turn may affect immigration policy through its effect on unemployment among native citizens.

For the economic controls, I have retrieved the economic data from Haber and Menaldo's dataset and updated them using the World Development Indicators (WDI). To be consistent with Haber and Menaldo's data source, the Penn World Table, I used growth rates in the WDI to compute GDP per capita and retrieved resource income as a share of GDP from the WDI to compute measures of resource income. I also include *Polity Score* to control for the level of political development that may drive both trade openness and immigration policy.<sup>15</sup> Since the sample is restricted to democracies with little cross-national or time-series variation in democracy, Polity Score is unlikely to have an effect on the dependent variable. Yet I have decided to include the variable in Models 2 through 5 because the sample covers a relatively long time horizon since the end of World War II.

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<sup>15</sup>Polity data are from Marshall and Gurr (2014).

Throughout the five models in Table 3.2, the signs of all coefficients are correct and generally show high statistical significance. In the absence of resource wealth, high values of Tariff Level are negatively correlated with high values of Immigration Policy. In Model 4, as Tariff Level increases by one unit (e.g. from 3 percent to 4 percent on the total value of imports), Immigration Policy becomes restrictive by approximately a .015 factor unit. In other words, as trade opens up by one unit (e.g. from a 4 percent tariff level to a 3 percent tariff level on imports), Immigration Policy becomes more open by a .015 factor unit.

I replicate the results by computing panel-corrected standard errors instead of clustered standard errors. Table 3.3 reports the results. Models 8, 9 and 10 also include country-specific time trends in addition to country and year fixed effects. In Model 9, I use per capita income from capital-intensive natural resources minus coal,  $\ln(\text{Non} - \text{coal Resource Income})$  to ensure that the relatively high labor intensity of coal production is not biasing the results. For Model 10, I estimate the error process with a panel-specific AR1 processes while excluding the lagged dependent variable. Across all models, resource income is negatively and significantly correlated with Immigration Policy. Since the coefficient of Resource Income indicates the effect of resource production on Immigration Policy when trade is completely open, this coefficient shows how a resource boom in an open economy affects Immigration Policy.

To assess how trade openness modifies how a resource boom affects immigration policy (Hypotheses 1), one needs to compute the marginal effects of resource production at various levels of trade openness. Similarly, the empirical assessment of Hypotheses 2 and 3 requires computing the marginal effects of trade openness while holding resource income at varying levels.<sup>16</sup> In Figure 3.3, I use the results from Model 6 report the marginal effects of Resource Income on Immigration Policy at various levels of trade openness and the marginal effects of Tariff Level on Immigration Policy at various levels of resource income.

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<sup>16</sup>See Brambor, Clark and Golder (2006); Berry, Golder and Milton (2012) for more information on how to interpret the coefficients of constitutive and interaction terms.

Table 3.2: Determinants of Immigration Policy in Democracies since 1946

| Model                                       | (1)                 | (2)                 | (3)                 | (4)                  | (5)                  |
|---|---------------------|---------------------|---------------------|----------------------|----------------------|
| Years                                       | 1946–<br>2012       | 1948–<br>2007       | 1950–<br>1995       | 1950–<br>1995        | 1950–<br>1995        |
| Immigration Policy <sub>t-1</sub>           | 0.900***<br>(0.017) | 0.890***<br>(0.020) | 0.859***<br>(0.016) | 0.848***<br>(0.020)  | 0.861***<br>(0.019)  |
| Tariff Level                                | -0.009**<br>(0.003) | -0.011*<br>(0.004)  | -0.015*<br>(0.007)  | -0.015+<br>(0.007)   | -0.010+<br>(0.005)   |
| ln(Resource Income)                         | -0.013*<br>(0.005)  | -0.016**<br>(0.005) | -0.038**<br>(0.011) | -0.041***<br>(0.008) |                      |
| Tariff Level × ln(Resource Income)          | 0.002***<br>(0.001) | 0.003***<br>(0.001) | 0.004**<br>(0.001)  | 0.004*<br>(0.001)    |                      |
| ln(Non-Coal Resource Income)                |                     |                     |                     |                      | -0.038***<br>(0.009) |
| Tariff Level × ln(Non-coal Resource Income) |                     |                     |                     |                      | 0.004**<br>(0.001)   |
| ln(Population) <sub>t-1</sub>               | -0.006<br>(0.048)   | 0.033<br>(0.058)    | 0.080<br>(0.095)    | 0.017<br>(0.092)     | 0.017<br>(0.092)     |
| ln(GDP Per Capita)                          | -0.029<br>(0.050)   | -0.002<br>(0.045)   | -0.038<br>(0.063)   | -0.028<br>(0.040)    | -0.034<br>(0.044)    |
| GDP Growth                                  | 0.206<br>(0.162)    | 0.162<br>(0.289)    | -0.188<br>(0.332)   | -0.207<br>(0.304)    | -0.191<br>(0.305)    |
| Polity Score                                | -0.002<br>(0.003)   | -0.002<br>(0.002)   | -0.007*<br>(0.002)  | -0.002<br>(0.003)    | -0.004<br>(0.003)    |
| Inequality <sub>t-1</sub>                   |                     | 0.139<br>(0.092)    |                     |                      |                      |
| Welfare Taxation                            |                     |                     | -0.009*<br>(0.004)  | -0.011**<br>(0.003)  | -0.011**<br>(0.003)  |
| Personal Income Taxation                    |                     |                     | -0.013**<br>(0.004) | -0.013*<br>(0.005)   | -0.010+<br>(0.005)   |
| Net Union Density                           |                     |                     |                     | 0.000<br>(0.002)     | 0.001<br>(0.001)     |
| Right-wing Populism Vote Share              |                     |                     |                     | -0.009**<br>(0.003)  | -0.009**<br>(0.003)  |
| Schengen Membership                         |                     |                     | -0.052<br>(0.041)   | -0.075<br>(0.061)    | -0.064<br>(0.071)    |
| OECD Membership                             |                     |                     | -0.025<br>(0.023)   | -0.035*<br>(0.014)   | -0.060**<br>(0.016)  |
| Observations                                | 1001                | 873                 | 619                 | 610                  | 610                  |
| Countries                                   | 20                  | 20                  | 16                  | 15                   | 15                   |
| R <sup>2</sup>                              | 0.939               | 0.939               | 0.943               | 0.946                | 0.946                |

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of immigration policy in year  $t$ . All independent variables are taken from year  $t$  unless otherwise noted. Clustered standard errors are shown in parentheses. \*\*\*, \*\*, \* and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects are included in all models.

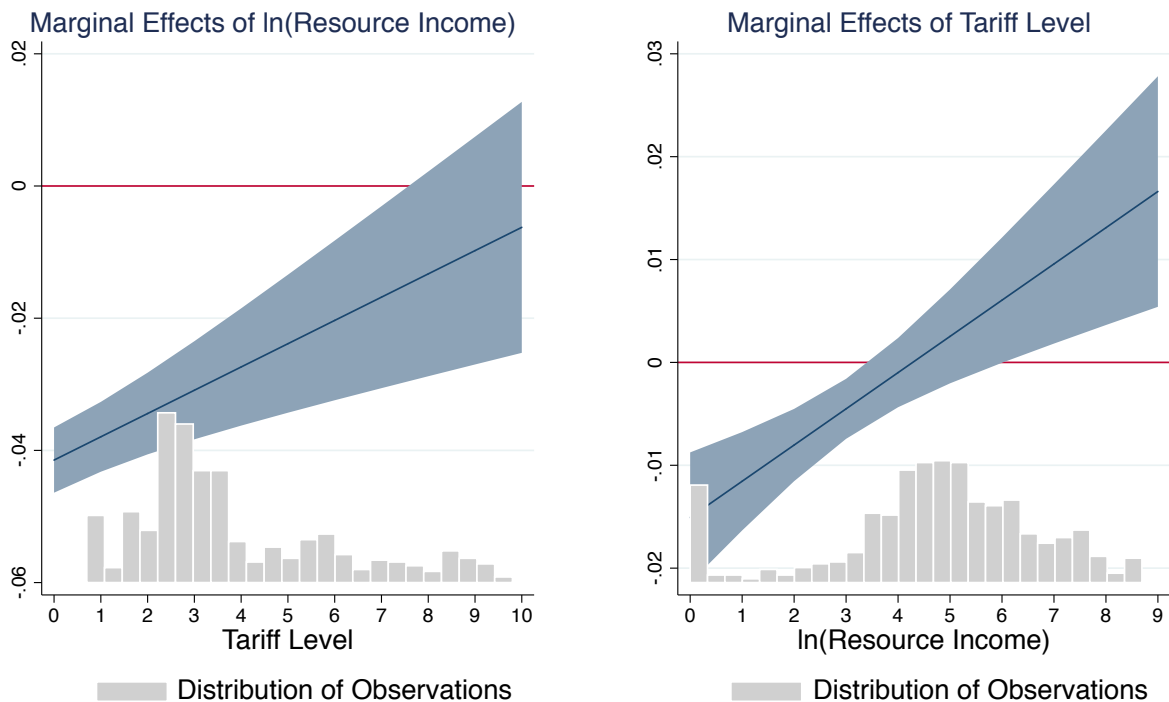
Table 3.3: Determinants of Immigration Policy in Democracies since 1950 (PCSE)

| Model                                       | (6)                  | (7)                  | (8)                  | (9)                  | (10)                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Years                                       | 1950–<br>1995        | 1950–<br>1995        | 1950–<br>1995        | 1950–<br>1995        | 1950–<br>1995        |
| Immigration Policy <sub><i>t</i>−1</sub>    | 0.848***<br>(0.010)  | 0.849***<br>(0.011)  | 0.783***<br>(0.014)  | 0.798***<br>(0.013)  |                      |
| Tariff Level                                | -0.015***<br>(0.003) | -0.014***<br>(0.004) | -0.028***<br>(0.006) | -0.012*<br>(0.006)   | -0.063***<br>(0.008) |
| ln(Resource Income)                         | -0.041***<br>(0.003) | -0.044***<br>(0.005) | -0.037***<br>(0.008) |                      | -0.139***<br>(0.014) |
| Tariff Level × ln(Resource Income)          | 0.004***<br>(0.001)  | 0.003**<br>(0.001)   | 0.006***<br>(0.001)  |                      | 0.013***<br>(0.002)  |
| ln(Non-coal Resource Income)                |                      |                      |                      | -0.042***<br>(0.008) |                      |
| Tariff Level × ln(Non-coal Resource Income) |                      |                      |                      | 0.004**<br>(0.001)   |                      |
| ln(Population) <sub><i>t</i>−1</sub>        | 0.017<br>(0.029)     | 0.009<br>(0.067)     | -0.138<br>(0.237)    | -0.113<br>(0.232)    | -2.759***<br>(0.619) |
| GDP Growth                                  | -0.207<br>(0.166)    | -0.266+<br>(0.161)   | -0.249<br>(0.190)    | -0.286<br>(0.191)    | 0.031<br>(0.197)     |
| ln(GDP Per Capita)                          | -0.028+<br>(0.017)   | -0.043+<br>(0.025)   | -0.127*<br>(0.057)   | -0.121*<br>(0.059)   | -0.459***<br>(0.121) |
| Polity Score                                | -0.002<br>(0.002)    | -0.002<br>(0.002)    | 0.002<br>(0.004)     | -0.002<br>(0.005)    | 0.009**<br>(0.003)   |
| Inequality <sub><i>t</i>−1</sub>            |                      | 0.012<br>(0.097)     |                      |                      |                      |
| Welfare Taxation                            | -0.011***<br>(0.001) | -0.013***<br>(0.001) | -0.011**<br>(0.004)  | -0.009*<br>(0.004)   | -0.001<br>(0.005)    |
| Personal Income Taxation                    | -0.013***<br>(0.001) | -0.014***<br>(0.001) | -0.019***<br>(0.003) | -0.018***<br>(0.002) | -0.028***<br>(0.003) |
| Net Union Density                           | 0.000<br>(0.001)     | 0.000<br>(0.001)     | 0.001<br>(0.001)     | 0.001<br>(0.001)     | -0.013***<br>(0.003) |
| Right-wing Populism Vote Share              | -0.009***<br>(0.001) | -0.009***<br>(0.001) | -0.009***<br>(0.002) | -0.008***<br>(0.002) | -0.020***<br>(0.003) |
| Schengen Membership                         | -0.075***<br>(0.007) | -0.077***<br>(0.008) | -0.079**<br>(0.026)  | -0.066***<br>(0.019) | -0.048**<br>(0.015)  |
| OECD Membership                             | -0.035***<br>(0.007) | -0.034**<br>(0.013)  | 0.004<br>(0.013)     | -0.004<br>(0.015)    | 0.139***<br>(0.020)  |
| Observations                                | 610                  | 585                  | 610                  | 610                  | 610                  |
| Countries                                   | 15                   | 15                   | 15                   | 15                   | 15                   |
| R <sup>2</sup>                              | 0.973                | 0.972                | 0.974                | 0.974                | 0.854                |

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of immigration policy in year  $t$ . All independent variables are taken from year  $t$  unless otherwise noted. Panel-corrected standard errors are shown in parentheses. \*\*\*, \*\*, \* and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects are included in all models. Country-specific time trends are included in Models 8, 9 and 10.

As shown in Figure 3.3a, trade openness exacerbates the extent to which resource wealth leads to restrictive immigration policy. In addition, there is strong evidence that the level of resource income conditions the policy correlation between trade and immigration as shown in Figure 3.3b. In the absence of resource wealth, the correlation between Tariff Level and Immigration Policy is -0.015 suggesting that trade *openness* and immigration openness are positively correlated at 0.015 in the absence of revenues from capital-intensive natural resources. In contrast, an extremely resource-rich economy's Immigration Policy becomes more restrictive by about .02 when Tariff Level falls by one percentage point, implying trade and immigration policies are negatively correlated at 0.02 when  $\ln(\text{Resource Income})$  is around 10.

Figure 3.3: Marginal Effects on Immigration Policy with 95% CIs (Model 6)



(a) Conditional Effect of Resource Income on DV

(b) Conditional Effect of Tariff on DV

### 3.3.5 Alternative Explanations

Recently, the economics literature has examined the distributional consequences of natural resource booms with an empirical emphasis on inequality (Golderis and Malone, 2011; Bhattacharyya and Williamson, 2013). While the literature is more empirically driven, the theory says that because some factors are less mobile across sectors, resource booms tend to benefit the most mobile factors, usually those who can invest liquid assets in booming sectors. This tends to benefit the very top end of the income distribution while hurting those at the bottom who are often tied to the lagging sectors. Moreover, political economists argue that natural resources exacerbate inequality by reducing the quality of political institutions (Acemoğlu and Robinson, 2006, 2012; Engerman and Sokoloff, 2012).

The economic explanation of resource wealth and inequality offers an alternative mechanism that an increase in resource income causes more restrictive immigration policy under trade openness. Economists have argued that inequality is linked to restrictions on immigration flows.<sup>17</sup> The institutional explanation, however, is not applicable to countries of our interest because it is based on theories of the rentier state.<sup>18</sup> These theories elaborate on mechanisms through which natural resources deteriorate the quality of institutions or exacerbate inequality in transitional democracies or autocracies, not in consolidated democracies.

Even if it is true that natural resource wealth increases inequality, it is uncertain how increasing inequality affects immigration policy in a democracy. Supposedly, the median voter must be concerned about rising inequality in order to draw any policy response on immigration from the policymaker. Assume that immigration increases redistributive pressure through inequality. The median voter is less likely to contribute to tax revenues for future redistribution than economic elites. Since elites would be forced

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<sup>17</sup>For example, Hatton and Williamson (2005, 2007); Timmer and Williamson (1998).

<sup>18</sup>For the rentier state literature, see Beblawi (1987); Karl (1997); Mahdavy (1970); Ross (2001). The rentier-state framework is based on the model of bargaining between economic actors and revenue-seeking governments over taxation and democratization. For instance, see Bates and Lien (1985); Levi (1982); North (1981); Tilly (1992).



to fund redistributive concessions from the policymaker, they are most likely to oppose immigration, not the median voter. In fact, the median voter, a skilled individual in a labor-scarce economy is likely to gain from immigration as low-skilled immigrants can provide cheaper services to them. For these reasons, the causal argument between inequality and immigration policy is more fragile than it seems at first glance.

Regardless, I include *Inequality* lagged by a year in some models to see if it shows any association with immigration policy. Data on inequality are extremely scarce, and available data often have very sparse observations. Moreover, some measures of inequality may not be relevant for studying immigration policy. Theoretically, immigration inflows benefit firms while hurting workers. Capitalists benefit from open immigration, increasing the margin of their profit vis-à-vis workers in the same industrial sector. For these economic dynamics between capital and labor in immigration policy making, I use the inequality indicator measuring the capital share of value added in the industrial sector.<sup>19</sup> In Models 2 and 7, the coefficient of *Inequality* is incorrectly signed as positive. *Inequality* does not seem to have any independent correlation with immigration policy in the samples.<sup>20</sup>

I drop *Inequality* to maintain more observations in Models 3, 4, and 5. Instead, I include taxation variables in Model 3 to see if welfare and high-taxation states are more likely to restrict immigration. I use Cusack (2000)'s taxation indicators measuring taxes collected as a share of GDP. Consistent with the literature on immigration policy and welfare states, I find a negative correlation between *Welfare Taxation* or *Personal Income Taxation*, measured as the share of welfare taxation or personal income taxation in GDP, and Immigration Policy. For instance, a one-percent increase of welfare taxation relative to GDP makes Immigration Policy more restrictive by a factor-unit of 0.01. Controlling for Welfare Taxation and Personal Income Taxation, however, does not undermine the empirical validity of the hypotheses. In fact, the effects are stronger both substantively and

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<sup>19</sup>See Ortega and Rodriguez (2006) for the original data on inequality. Houle (2009) used *Amelia II* to include imputed data in missing observations. I use this version of the data in Model 3.

<sup>20</sup>Using the GINI coefficient in a sample from 1972, there is no evidence of a negative correlation between immigration policy and inequality in Peters (2015).

statistically relative to the results of Model 1.<sup>21</sup>

Models 4 and 5 also test some of the alternative hypotheses in the literature that examine the role of right-wing populism, the size of the immigrant electorate and the role of labor unions (Koopmans, Michalowski and Waibel, 2012; Givens and Luedtke, 2005; Haus, 2002; Watts, 2002). Adding *Net Union Density* assesses the role of labor unions in influencing immigration policy.<sup>22</sup> Historically, labor unions have had both pro- and anti-immigration stances. In the early 1970s, Belgian unions vehemently opposed a newly adopted immigration policy of deporting unemployed immigrants. The Belgian government eventually withdrew this deportation policy due to labor unions' opposition. Theoretically, unions presumably oppose immigration because immigrants compete with native workers. As the collective organization of domestic labor grows, we should expect decreasing immigration policy openness. However, there is no evidence of labor unions influencing immigration policy in the analysis. Finally, I examine whether the anti-immigrant sentiment among voters influences immigration policy. I use *Right-wing Populist Vote Share*, the vote share of right-wing populist parties, as a crude indicator of anti-immigrant attitudes.<sup>23</sup> There is strong evidence that the emergence of right-wing populism compels policymakers to restrict low-skilled immigration.

### 3.3.6 Evidence from Industry-Level Lobbying Data

The theoretical framework is based on two assumptions about firms and their immigration policy preferences. First, labor-intensive firms in the tradable sector are more likely to favor low-skill immigration than firms in the non-tradable sector. Second, labor-intensive firms that face higher trade protection are less likely to support pro-immigration policy than firms that are more exposed to international trade. These assumptions are based on the

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<sup>21</sup>Compared to Model 1's 1001 observations and 20 countries, the number of observations and the number of countries in Model 3 are reduced to 619 and 16, respectively with the taxation indicators.

<sup>22</sup>Data come from Golden, Lange and Wallerstein (2000). Note that Net Union Density is constructed to range from 0 to 100.

<sup>23</sup>Data on right-wing populism come from Swank (2014).

fact that the prices of tradable goods are somewhat fixed while firms in the non-tradable sector can adjust their output prices when wages increase. In labor-scarce economies, labor-intensive firms producing tradable goods are the most pro-immigration groups because they have to deal with competitive pressure from foreign producers of more labor-abundant economies.

To provide some evidence for the assumptions, I use the industry-level lobbying data assembled by Peters (2014).<sup>24</sup> The original data on lobbying reports come from the Center for Responsive Politics. The dataset shows which groups including both 579 firms or business organizations and about 269 other interest groups lobbied on immigration-related issues in the United States between 1998 to 2011. The data, however, do not specify whether the groups lobbied for or against low-skill immigration. Since firms generally prefer more immigration, I assume that the number of low-skill immigration issues lobbied by an industry is a proxy for the industry's pro-immigration stance. This is not the case for other interest groups because they may be pro-immigrant activist groups or anti-immigrant nativist groups.

While the dataset does not include a variable for an industry's factor intensity of production, it reveals that capital-intensive firms in the tradable sector generally do not lobby on *low-skill* immigration issues. For instance, industries in the tradable sector that do not lobby on low-skill immigration issues are consistently firms that produce chemicals and metals or manufactures of metals. On the other hand, textile and agricultural industries are more pro-immigration than more capital-intensive industries in the tradable sector. To assess the empirical validity of the assumptions more robustly, I present two regression results in Table 3.4.

The sample of the first regression consists of industry-year observations for all industries regardless of the tradability of their products. The dependent variable is *Lobbying on Low-Skill Immigration Issues*, the number of low-skill immigration issues on which each

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<sup>24</sup>See Peters (2014, pp. 836–837) for how the author assembled the data.

Table 3.4: Determinants of Lobbying on Low-Skill Immigration Issues

|                                   | Sample<br>Years | All Sectors<br>2000–2010 | Tradable Sector<br>2000–2006 |
|-----------------------------------|-----------------|--------------------------|------------------------------|
| Tradable Dummy                    |                 | 6.861**<br>(2.644)       |                              |
| Tariff Rate <sub><i>t</i>−1</sub> |                 |                          | -14.205***<br>(3.976)        |
| # of Total Issues                 |                 | 0.024<br>(0.076)         | 0.064***<br>(0.014)          |
| # of Firms                        |                 | 0.340<br>(0.547)         | 0.534***<br>(0.103)          |
| % Foreign-born Employees          |                 | 1.599+<br>(0.874)        | 0.181<br>(0.833)             |
| Metals                            |                 |                          | -11.850***<br>(3.163)        |
| Agriculture                       |                 |                          | 21.259**<br>(6.592)          |
| Textiles                          |                 |                          | 120.862**<br>(40.784)        |
| Fixed Effects                     | Year            | Year                     | Year and Industry            |
| Observations                      | 121             |                          | 22                           |
| Industries                        | 12              |                          | 4                            |
| R <sup>2</sup>                    | 0.725           |                          | 0.990                        |

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of lobbying on low-skill immigration issues in year  $t$ . All independent variables are taken from year  $t$  unless otherwise noted. Panel-corrected standard errors are shown in parentheses. \*\*\*, \*\*, \* and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Year fixed effects are included in all models.

industry lobbies in a given year. I include a binary variable to indicate whether an industry is in the tradable sector, *Tradable Dummy*. Since firms that lobby on all issues are more likely to lobby on immigration issues, I include # of *Total Issues*, the total number of issues lobbied by the industry. In addition, since the data are not at the firm-level, I also control for the number of firms in the industry, # of *Firms*. It is plausible that industries with more firms may lobby on more immigration issues. In addition, I also include the share of foreign-born employees, % *Foreign-born Employees*, to see if top immigrant employers are more likely to lobby on immigration issues. I also control for year dummies to account for common shocks. The results in the first column of Table 3.4 show that, on average, firms in

the tradable sector lobby on about seven more low-skill immigration issues than firms in the non-tradable sector. This is consistent with the first assumption of the theory in this chapter.

The sample of the second regression only includes firms that produce tradable goods. While the dependent variable remains the same, I use the industry-level tariff rate to see how exposure to international trade affects industries' lobbying intensity. In addition to the covariates in the first regression, I include industry fixed effects (i.e. *Metals*, *Agriculture*, and *Textiles*) to capture within-industry variation in lobbying. The baseline industry is *Chemicals* in the second column of Table 3.4. I lag the tariff rate by a year because some industries with substantial financial resources may lobby on both trade and immigration. Including industry fixed effects may not account for this possibility because industries' financial resources may change over time. Lagging the tariff rate by a year helps ameliorate this endogeneity concern. The results in the second column of Table 3.4 provide confirmatory evidence that industries are more likely to lobby on low-skill immigration issues when their protective tariff rates have decreased in the previous year. A one-unit decrease in the tariff rate in the previous year is associated with 14 more low-skill immigration issues lobbied by the industry. The fixed-effects coefficients also confirm that industries that are more labor-intensive on average such as agriculture and textiles are more pro-immigration than metal and chemical industries.

### 3.4 Conclusion

The chapter was empirically and theoretically motivated by divergent correlations between trade and immigration policies across a multitude of wealthy labor-scarce economies over several decades of the post-WWII era. The theoretical predictions of the chapter and rigorous empirical analyses with a new dataset pose a serious challenge to the conventional wisdom that trade and immigration policies have always moved in the opposite direction,

that is, the openness in the goods market leads to restrictions on immigration and vice versa. The policy correlation is sometimes negative not because policymakers regard them as policy substitutes for achieving economic openness, but because firm preferences over immigration policy change radically, depending on the openness of trade in resource-booming economies.

Trade liberalization in a resource-rich economy makes the tradable sector unattractive for owners of capital. Direct and indirect deindustrialization through the resource movement and the spending effects of natural resource extraction and production have virtually eliminated business support for pro-immigration policy in many open resource-rich economies. Trade liberalization, however, provokes firms to demand more open immigration policy in resource-scarce countries. Without the adverse effects of natural resource wealth, firms can fight one aspect of globalization (free trade) with another (open immigration). Policymakers in resource-scarce economies respond to firms' demand because they primarily rely on firms' tax revenues. This seemingly ironic political strategy of firms toward globalization leads to a conjoint opening of trade and immigration. An important lesson from this chapter is that economic integration in the international goods market causes disintegration of the international labor market for resource-booming economies. In contrast, resource-scarce economies tend to open trade and immigration at the same time due to increasing firm support for immigration under trade liberalization.

The state's dependence on capital implies that firm preferences over immigration policy directly translate into policies through multiple channels of influence on policymakers in representative democracies. Whether pro-immigration firms make campaign contributions or provide tax revenues to the state, most legislations, executive policy and actual enforcement of immigration policy honestly reflect firms' explicit and implicit preferences over immigration policy and their intimate relationship with the state. A remaining question is why firms have failed to stop trade liberalization while having been able to influence immigration policy for so long. In trade politics, labor-intensive firms meet their most

formidable opponents, other firms who favor free trade due to the presence of reciprocity through bilateral trade agreements. Labor-intensive firms do not face other firms that oppose immigration in immigration policymaking. Capital-intensive firms are indifferent to immigration policy that concerns low-skilled labor. As only labor-intensive firms dominate in immigration policymaking, changes in immigration policy accurately reflect their dynamic preferences.

The most interesting finding is that natural resource booms tend to lead to restrictive immigration policy. This result is counter-intuitive because natural resource booms increase the domestic wage. Based on the labor-market concern alone, native workers' opposition to low-skill immigration should be lower during a natural resource boom. Nonetheless, policymakers restrict immigration when pro-immigration firms perish, suggesting that policymakers close immigration based on native workers' non-material concerns over low-skill immigration, such as xenophobic and sociotropic attitudes. This is largely consistent with the literature on attitudes toward immigration, which emphasizes voters' concerns for the impact of immigration on various aspects of society, including economic performance, welfare and national identity.<sup>25</sup>

This chapter makes several important contributions. First, it presents a novel theory of firm preferences over immigration policy and emphasizes firms' important role in shaping immigration policy in wealthy, labor-scarce democracies. Second, the empirical analysis demonstrates that some of the popular theories of immigration policy have limitations without accounting for firms' role in immigration policy making. Finally, the chapter is part of an emerging scholarly trend of linking trade, capital or migration from a comprehensive perspective of International Political Economy (IPE). Scholars have explored how unfavorable exchange rate appreciation provokes firms to demand trade protection (Broz and Werfel, 2014), and how exchange rate regime choice and trade policy influence each other (Copelovitch and Pevehouse, 2013). Focusing on international

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<sup>25</sup>See Hainmueller and Hopkins (2014) for an excellent review of the literature.

migration, others have examined the role of migrant networks in bringing portfolio capital and foreign direct investment from host states to home countries, how remittances serve as an alternative source of capital and are an important determinant of an exchange rate regime choice, and how trade, capital and immigration policies are all intertwined in a way that affects firm preferences over immigration policy (Leblang, 2010; Singer, 2010; Peters, 2014, 2015).



## **CHAPTER 4**

# **Petroleum Wealth and Immigration Policy Voting of U.S. Senators**

### **Abstract**

This chapter examines the empirical validity of the hypotheses of Chapter 3. Using the data on U.S. senators' voting behavior on immigration bills from 1964 to 2008, I find that senators from petroleum-rich states are more likely to oppose pro-immigration bills as petroleum-rich states lack a strong coalition of pro-immigration firms. Moreover, an increase in import penetration from low-wage countries exacerbates the decline of pro-immigration firms in petroleum-rich states, causing their senators to oppose pro-immigration bills even more certainly. By contrast, senators from petroleum-scarce states tend to be in favor of immigration when their states face a higher level of import penetration. By exploring U.S. immigration policymaking at the senator level, this chapter reaffirms the plausibility of the argument in Chapter 3. The results remain robust to a set of controls and various statistical techniques, including senator and state fixed effects.

## 4.1 Introduction

Chapter 3 provides ample empirical evidence that an economy's exposure to international trade, natural resource wealth, and the interaction of these two factors play important roles in shaping immigration policy formation. One of the main assumptions of the theory in Chapter 3 is a small-economy setting under which the effect of petroleum income is assumed to be national. This assumption is likely to be violated in geographically large countries like Canada and the U.S. For instance, a petroleum boom in Alaska is unlikely to affect firms and lawmakers in Pennsylvania. Moreover, since individual lawmakers vote on immigration bills, looking at senators' voting behavior on immigration provides a more clear test of the causal mechanisms outlined in Chapter 3.

The case of U.S. immigration policy is puzzling on its own. The U.S. adopted sharp restrictions in the 1970s. This is the time when many Republican senators changed their positions on low-skill immigration while Democrats became more open toward low-skill immigration in the post-WWII era. In this chapter, I show that differences in petroleum income as well as changing oil prices help explain this partisan divergence since the 1970s. The 1970s Oil Crisis also played a role in causing senators to become more anti-immigrant, as many pro-immigration firms eventually discontinued operations during the crisis. The crisis created a sharp division over immigration policy in the Senate with senators from petroleum-rich states opposing pro-immigration bills since the 1980s.

This chapter continues as follows. First, I describe the procedures of immigration policymaking in the U.S. and emphasize the importance of legislative bills in the U.S. While senators' voting behavior on immigration bills does not provide a tool to explain why the Senate votes on a particular immigration bill, it provides an empirical ground to test why senators oppose or support low-skill immigration once a bill is introduced. Second, I assess the validity of the hypotheses by using Senate roll call votes on immigration bills from 1964 to 2008. I find evidence for the hypothesized effects of natural resource wealth, and the findings remain robust to the inclusion of various controls. Then, I consider

whether there is a diffusion mechanism through which a state's resource wealth can affect the voting behavior of senators from its neighboring states. Finally, I conclude this chapter with implications for the ongoing debate on immigration reform.

## **4.2 Immigration Policymaking in the U.S. Senate**

Historically, U.S. immigration policy has been an amalgam of government practices, laws, and judicial principles drafted by the three branches of government. For instance, the executive branch can raid work places that employ undocumented immigrants, create administrative barriers to public benefits, and strengthen border controls. Congress can establish statutes by passing laws that increase or restrict immigration inflows. In addition, the judicial branch can offer interpretations of the constitution and amendments. Depending on which branch implements policy, the "strength" of immigration policy also varies. Cox and Posner (2009, p 3.) defines the strength of immigration policy as "the ease with which the government can change [the policy]." The executive branch can enact new policies and change them without much constraint as was evident in the Obama administration's 2014 executive actions on immigration. Judicial interpretations on immigration policy, however, tend to persist over time (e.g. the Supreme Court's tie vote on blocking implementation of the Obama administration's executive actions on immigration). When legislative bills are the primary tool of immigration policymaking, immigration policy does not react to short-term changes but is more likely to reflect domestic actors' preferences over immigration, which may change from year to year.

As Congress dominates U.S. immigration policy making, legislative bills provide us with an opportunity to test the theories of immigration policy based on domestic interests. Since the Supreme Court ruled in 1849 that immigration policy was the federal government's exclusive domain by striking down Northern states' efforts to impose a head tax on incoming immigrants, Congress became the de facto rule-maker of U.S.

immigration policy (Chacon, 2014). Since the late 19th century, the Supreme Court has repeatedly cited Congress's absolute authority in making immigration policy to uphold federal immigration regulations against constitutional challenge (Chacon, 2014). As the Supreme Court decided that U.S. immigration policy is a matter of foreign affairs, the U.S. Senate has voted on immigration bills almost every year since the 1870s (Peters, 2017, Chapter 5). This frequency provides us with another dependent variable to test the hypotheses in Chapter 3. In addition, senate roll call votes allow us to unpack the black box of national immigration policymaking and to treat each senator as a policymaker. Given the geo-economic implications of natural resource wealth as a potential diffusion mechanism, it is important to look at the voting behavior of sub-national policymakers.

While Senate roll call votes provide us with more fine-grained outcomes of domestic interests' relative influence, we sacrifice some information by focusing on senators' voting behavior on bills rather than actual immigration policy outcomes. First, although we know whether senators' stances are pro- or anti-immigration by examining their votes on individual bills, we cannot incorporate the intended policy consequences of each bill in the analysis. As a result, increasing support for pro-immigration bills over time in the Senate may not imply more senators are becoming pro-immigration. It is possible that proposed immigration bills have become more anti-immigration recently as the immigration issue has become more politically salient in the U.S. Prior to 1965, immigration was a less contentious issue in the U.S. Only about five percent of the U.S. population were foreign-born in 1965 (Fox, Bloemraad and Kesler, 2013). About a decade after the Immigration and Nationality Act of 1965 lifted bans on immigration inflows from the non-European developing countries, immigration flows increased. This increasing political saliency of immigration during the past several decades may have changed U.S. immigration bills' content. Second, an exclusive focus on senators' voting behavior ignores the strategic interaction within and between the House, the Senate, and the President while overlooking the potential effect of this strategic interaction on agenda control with respect

to immigration bills.<sup>1</sup>

Nonetheless, examining individual senators' voting behavior on immigration bills mitigates the endogeneity concern between immigration policy and independent variables. In Chapter 3, I addressed and refuted reverse-causality claims although the regression specification without an instrument cannot test reverse causality statistically. Using senators' voting behavior establishes the causal direction more clearly for two reasons. First, the dependent variable no longer has direct policy consequences on independent variables. As individual senators' votes are not always decisive in passing immigration bills in Congress, senators' voting behavior only manifests their preferred policy outcomes rather than actual policy outcomes. Second, given the time lag between the date of roll call votes and the date of policy implementation, it is highly unlikely that even ratified immigration bills drive independent variables of our interest in a given year.

### 4.3 Empirical Analysis

I use the data from Peters (2017, Chapter 5) to examine Senate voting on immigration from 1964–2008. In the dataset, each vote is coded as zero (restrictive) or one (expansive) while accounting for whether a bill is pro- or anti-immigration.<sup>2</sup> The dependent variable is a senator's voting behavior on immigration bills in a given year, *Pro-Immigration Vote Shares* at the senator level. For instance, if a senator votes in favor of immigration two times on 10 bills in a year, then his or her pro-immigration score is .2 for that year. Pooling a senator's multiple votes in a given year allows us to look at general patterns of immigration policymaking as many bills tend to differ in terms of scope and type. Moreover, pooling votes is suitable given that many independent variables can be retrieved only for annual observations.

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<sup>1</sup>For agenda setting, see Cox and McCubbins (2005). See Binder (1999); Epstein and O'Halloran (2001); Mayhew (2005) for the implications of separation of powers for lawmaking. For the effects of institutions on lawmaking, see Krehbiel (1998); Wawro and Schickler (2007).

<sup>2</sup>Data on votes come from Vote View (Poole, 2009; Poole and Lewis, 2009; Poole and McCarty, 2009).

I regress Pro-Immigration Vote Shares on two key independent variables and the interaction term of the two variables. The first variable is a state-level variable, *Import Penetration* constructed by Peters (2017, Chapter 5) using Bernard, Jensen and Schott (2006)'s data on industry-level import penetration from low-wage trading economies. The data are then weighted by the percent employed in each industry in a given state.<sup>3</sup> This variable varies across states and over time. The second variable includes a set of state-level data on real natural resource income per capita. For instance, *Petroleum Income* is the logged sum of a state's real oil and natural gas income divided by the state's population in a given year.<sup>4</sup> I use this measure of resource income to assess its effect on senators' voting behavior.

Throughout the analysis, I include year fixed effects to capture common yearly shocks. The time dummies also capture the general trend of trade liberalization as well as technological innovation in the U.S.<sup>5</sup> While all states in the U.S. face the same common tariff rates, their exposure to international trade varies because states produce different goods. Import Penetration captures these differences of exposure to international trade among the 50 states. I also control for state-level GDP per capita, GDP growth, population and the estimated population share of foreign-born individuals.<sup>6</sup> In Model 5, I include an additional set of controls, *Agricultural Sector*, *Value Added*, *Welfare Per Capita*, and *% Union*.<sup>7</sup>

Table 4.1 examines the determinants of senators' pro-immigration stance, proxied by the share of each senator's pro-immigration votes on immigration bills in a given year. For

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<sup>3</sup>The employment data come from Ruggles et al. (2010).

<sup>4</sup>To compute this variable, I retrieved the energy production data from U.S. Energy Information Administration (2015) to be multiplied by nominal commodity prices, adjusted for inflation, and divided by the state's population.

<sup>5</sup>See Peters (2014, 2015, 2017) for the role of technology on firms' incentive for lobbying for immigration policy.

<sup>6</sup>Data on these variables come from U.S. Census Bureau and aggregated data of Adler (N.d.)'s congressional district-level data. See Peters (2017, Chapter 5) for more information.

<sup>7</sup>*Agricultural Sector* is the logged real value of agriculture in the state from Bureau of Economic Analysis. *Value Added* is the logged real value added per worker from Census Bureau measuring the labor productivity. *Welfare Per Capita* is the logged real cash welfare spending per capita in the state from Census Bureau. *% Union* is the percent of workers represented by a union from Adler (N.d.).

Table 4.1: Determinants of Pro-Immigration Vote Shares in the U.S. Senate, 1964–2008

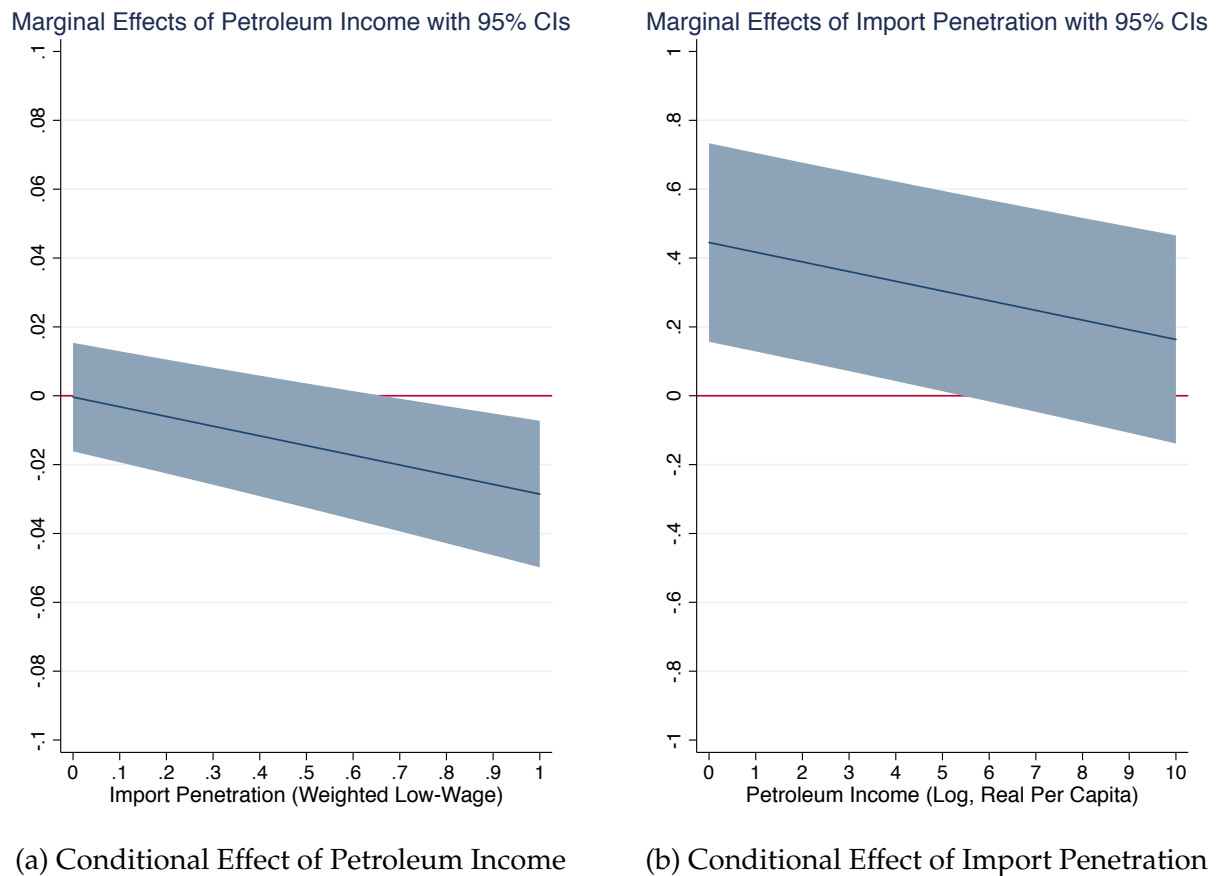
| Model<br>First Observation Year     | (1)<br>1964                   | (2)<br>1972          | (3)<br>1972          | (4)<br>1972          | (5)<br>1972                    |
|-------------------------------------|-------------------------------|----------------------|----------------------|----------------------|--------------------------------|
| Coal Income                         | 0.017 <sup>+</sup><br>(0.008) |                      |                      |                      |                                |
| Gas Income                          | -0.024*<br>(0.012)            | -0.011<br>(0.010)    |                      |                      |                                |
| Oil Income                          | 0.006<br>(0.009)              |                      | -0.006<br>(0.008)    |                      |                                |
| Petroleum Income                    |                               |                      |                      | -0.000<br>(0.008)    | -0.003<br>(0.009)              |
| Import Penetration                  |                               | 0.428*<br>(0.149)    | 0.437**<br>(0.139)   | 0.445**<br>(0.147)   | 0.521***<br>(0.122)            |
| Import Penetration×Gas Income       |                               | -0.032***<br>(0.005) |                      |                      |                                |
| Import Penetration×Oil Income       |                               |                      | -0.027***<br>(0.006) |                      |                                |
| Import Penetration×Petroleum Income |                               |                      |                      | -0.028***<br>(0.005) | -0.027***<br>(0.006)           |
| ln(GDP Per Capita)                  | 0.000<br>(0.075)              | 0.024<br>(0.028)     | 0.025<br>(0.036)     | 0.015<br>(0.031)     | -0.028<br>(0.034)              |
| GDP Growth                          | -0.104<br>(0.159)             | -0.130<br>(0.122)    | -0.133<br>(0.119)    | -0.128<br>(0.120)    | -0.120<br>(0.128)              |
| ln(Population)                      | 0.136*<br>(0.050)             | 0.068<br>(0.086)     | 0.063<br>(0.082)     | 0.063<br>(0.079)     | -0.014<br>(0.073)              |
| % Foreign Born                      | -0.183<br>(0.345)             | -0.065<br>(0.647)    | -0.042<br>(0.652)    | -0.047<br>(0.658)    | 0.249<br>(0.647)               |
| Agricultural Sector                 |                               |                      |                      |                      | 0.085***<br>(0.015)            |
| Value Added                         |                               |                      |                      |                      | -0.014**<br>(0.004)            |
| Welfare Per Capita                  |                               |                      |                      |                      | -0.029 <sup>+</sup><br>(0.015) |
| % Union                             |                               |                      |                      |                      | 0.000<br>(0.002)               |
| Observations                        | 3690                          | 3152                 | 3152                 | 3152                 | 3152                           |
| Senators                            | 391                           | 340                  | 340                  | 340                  | 340                            |
| R <sup>2</sup>                      | 0.299                         | 0.319                | 0.318                | 0.319                | 0.323                          |

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of U.S. senators' proportion of pro-immigration votes in year  $t$ . All independent variables are taken from year  $t$  unless otherwise noted. Standard errors **clustered on Congress** are shown in parentheses. \*\*\*, \*\*, \* and <sup>+</sup> indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Year and **senator fixed effects** are included in all models.

instance, if a senator voted “Yea” on two anti-immigration and two pro-immigration bills in a given year, the share of his or her immigration votes would be 50 percent or .5.

Model 1 in Table 4.1 tests the unconditional correlation between three types of resource income per capita. There is some evidence that senators from coal-producing states tend to support pro-immigration bills because the American coal industry has historically relied on immigrant labor. In contrast, senators from gas-producing states tend to oppose pro-immigration bills. Lastly, there is no unconditional relationship between oil income and senators’ voting behavior on immigration bills.

Figure 4.1: Marginal Effects on Pro-Immigration Vote Shares with 95% CIs (Model 4)



Models 2 and 3 test the interactive effects of gas or oil income and import penetration on senators’ voting behavior in immigration. Consistent with the theories and findings in Chapter 3, increasing import penetration is positively associated with senators’ pro-



immigration stance in resource-scarce states.

Gas and oil income are negatively correlated with pro-immigration votes in states that face high levels of import penetration. Models 4 and 5 repeat the analysis by pooling gas and oil income into a single variable, *Petroleum Income* and find similar results. In Model 5, both welfare spending per capita and the level of productivity measured by *Value Added* are negatively correlated with pro-immigration votes. Senators from states with a large agricultural sector, however, tend to vote in favor of pro-immigration bills.

Figure 4.1 illustrates the average marginal effects of Petroleum Income and Import Penetration while holding the other variable at constant levels. The conditional effect of Petroleum Income (Figure 4.1a) is consistent with the marginal effects graph in Figure 3.3a in Chapter 3. However, the conditional effect of Import Penetration (Figure 4.1b) does not lend support for the hypothesis that increasing import penetration induces senators from petroleum-rich states to oppose pro-immigration bills. This null result may be due to the possibility that senators from petroleum-rich states do not respond to changes in import penetration because they rely exclusively on tax contributions from the petroleum industry.

For robustness, I repeat the analysis by altering the model in two ways. First, I use senator fixed effects but cluster standard errors by senators instead of Congress. The results remain largely the same, as shown in Table C.3 of Appendix C. Second, I use state fixed effects instead of senator fixed effects and cluster standard errors by state instead of senator or Congress while controlling for a partisanship dummy variable indicating whether a senator is Republican (i.e. *Republican*). The results reported in Table C.4 demonstrate that the interactive effects of Petroleum Income and Import Penetration remain important factors in explaining senators' stances on immigration.

Finally, Table 4.2 reports the results of models that test the spillover effects of resource wealth from neighboring states. For instance, *Oil Income Diffusion* measures the logged sum of real oil income per capita from contiguous states. There is some evidence that

Table 4.2: Diffusion of Resource Income on U.S. Senate Immigration Bills, 1972–2008

| Model                                 | (16)                 | (17)                | (18)                 |
|---------------------------------------|----------------------|---------------------|----------------------|
| Years Included                        | 1972–2008            | 1972–2008           | 1972–2008            |
| Import Penetration                    | 0.508***<br>(0.129)  | 0.508**<br>(0.158)  | 0.357*<br>(0.155)    |
| Petroleum Income                      | -0.011<br>(0.011)    | -0.011<br>(0.015)   | -0.005<br>(0.011)    |
| Import Penetration × Petroleum Income | -0.026***<br>(0.005) | -0.026**<br>(0.010) | -0.019*<br>(0.007)   |
| Oil Income Diffusion                  | 0.035***<br>(0.008)  | 0.035+<br>(0.019)   | 0.006<br>(0.012)     |
| Gas Income Diffusion                  | -0.016+<br>(0.008)   | -0.016<br>(0.023)   | 0.001<br>(0.018)     |
| ln(GDP Per Capita)                    | -0.005<br>(0.038)    | -0.005<br>(0.071)   | 0.049<br>(0.049)     |
| GDP Growth                            | -0.111<br>(0.129)    | -0.111<br>(0.139)   | -0.165<br>(0.125)    |
| ln(Population)                        | -0.014<br>(0.073)    | -0.014<br>(0.122)   | 0.081+<br>(0.046)    |
| Agricultural Sector                   | 0.082***<br>(0.015)  | 0.082***<br>(0.025) | 0.071**<br>(0.024)   |
| Value Added                           | -0.014**<br>(0.004)  | -0.014*<br>(0.006)  | -0.015**<br>(0.006)  |
| Welfare Per Capita                    | -0.031+<br>(0.016)   | -0.031+<br>(0.016)  | -0.037*<br>(0.014)   |
| % Foreign Born                        | 0.245<br>(0.591)     | 0.245<br>(0.702)    | -0.815*<br>(0.319)   |
| % Union                               | -0.001<br>(0.002)    | -0.001<br>(0.003)   | 0.002<br>(0.002)     |
| Republican                            |                      |                     | -0.057***<br>(0.013) |
| Observations                          | 3152                 | 3152                | 3139                 |
| Senators/States                       | 340                  | 340                 | 50                   |
| Clustered S.E.                        | Congress             | Senator             | State                |
| R <sup>2</sup>                        | 0.323                | 0.323               | 0.314                |

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of U.S. senators' voting behavior on immigration in year  $t$ . All independent variables are taken from year  $t$  unless otherwise noted. Standard errors clustered on Congress, senators, or states are shown in parentheses. \*\*\*, \*\*, \* and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Year and senator fixed effects are included in all models.

senators from states that share borders with oil-rich states tend to support pro-immigration bills possibly because these states often lose young low-skill workers to neighboring oil-producing states. Yet, there is not much empirical support for the diffusion effect related to natural gas. Modeling the geo-economic diffusion mechanisms, however, does not change the central findings of the original models in Table 4.1.

## 4.4 Discussion

The LSIP dataset and the senate immigration votes reveal two seemingly conflicting observations. First, U.S. immigration policy became much more restrictive after the 1970s. Second, senators have become more pro-immigration on average although Republican senators became much more anti-immigration since the 1970s. While the argument of this Chapter does not dismiss the role of polarization in increasing partisan divergence on immigration bills, it is important to note that Republican senators tend to represent the majority of petroleum-rich states, who have become much more anti-immigrant due to their increasing reliance on petroleum income and their states' exposure to imports from low-wage countries.<sup>8</sup> This dramatic decrease in support for pro-immigration bills among Republicans may explain why the Senate has not proposed bills that would increase U.S. immigration policy openness significantly.

Firm lobbying in favor of low-skill immigration in the U.S. is largely driven by agricultural and textile sectors as well as other manufacturing firms that face more foreign competition. In contrast, firms in the U.S. chemical industry generally do not lobby for low-skill immigration as shown in Table 3.4. These firms and their contractors in construction and services rather rely on low-skill native workers from neighboring states instead of spending political resources in persuading policymakers to open their borders to low-skill immigrants from the developing world.

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<sup>8</sup>See Figure C.1 for a map of the 50 American states by petroleum income.

Technological advancements and industrial innovation also have important implications for the future of U.S. immigration policy. As the agricultural sector and other manufacturing sectors adopt new measures to become less labor-intensive, the political influence of pro-immigration firms will eventually decline. It is unclear whether there are other organized pro-immigrant interest groups to change the current path of U.S. immigration policy without pro-immigration firms' support.

## **CHAPTER 5**

### **Immigration Policy of the Netherlands and Scandinavia**

#### **Abstract**

This chapter illustrates some of the observable implications in Chapter 3 through qualitative research in the Netherlands and Scandinavia. First, I elaborate on the current positions and concerns of the domestic actors through in-depth interviews. Since lobbying data and other evidence of firms' policy preferences are extremely scarce in these countries, interviews with relevant actors provide more useful information regarding how firms and organized labor view immigration. Second, I use primary and secondary sources to investigate public debates surrounding the 1970s immigration restrictions. Then, I illustrate how Norway's oil wealth led to its 1975 ban on labor immigration. Throughout this chapter, I also explore other factors that shape the politics of immigration and immigration policy outcomes, including the rise of right-wing populism and the recent refugee crisis in Europe.

## 5.1 Introduction

Chapter 3 demonstrates that firms in the tradable sector are an important interest group in immigration policy formation across 20 wealthy labor-scarce democracies. Table 3.4 also provides confirmatory evidence that firms in the tradable sector are more likely to lobby on low-skill immigration issues in the U.S. Even though the lobbying data provide some direct evidence on which firms have more pro-immigration preferences and a possible channel of influence in actual policymaking, firms have other channels of influence as noted in Chapter 3. First, firms are tax payers whose fiscal contributions allow incumbents to provide public and private goods to their constituencies. In this respect, policymakers seek to help firms make profit in exchange for the taxes they pay. Second, policymakers and firms may have close government-business relations through which policymakers internalize the policy preferences of firms. Third, negotiations on economic policies may take place through an institutionalized setting, involving policymakers, employers' organizations, and trade unions on a regular basis.

Economic and political institutions determine how pro-immigration firms formulate their strategies to promote their preferred immigration policies. For instance, firms in the Netherlands and Scandinavia do not have the option of making campaign contributions to political parties. The lack of business-driven political funding, however, does not imply that firms have less influence in policymaking. Firms simply invest in and make use of other strategies to steer immigration policy in their preferred direction. In this section, I seek to uncover how business interests communicate their immigration-related concerns to policymakers and how policymakers accommodate the preferences of pro-immigration firms in non-U.S. political contexts. Given the theoretical focus on natural resource wealth and generalizability in Chapter 3, I have selected the Netherlands and Scandinavia for field research.

Firms are not the only interest group who influences immigration policy formation in the Netherlands and Scandinavia. Generally, immigration policy is a tripartite outcome

negotiated among governments, business organizations, and trade unions. In addition, political parties keep close watch on voter preferences over immigration while individual members of parliament accommodate the preferences of their constituencies. Policymakers' constraints in the Netherlands and Scandinavia are indeed similar to those of U.S. policymakers. Yet firms in the Netherlands and Scandinavia have access to different means of communication and influence compared to their counterparts in the U.S.

This chapter proceeds as follows. First, I provide an overview of the field research including the characteristics of interviewees, relevant organizations, and the general structure of interviews as well as expectations. Second, I describe how governments of these countries formulate immigration policies and the roles played by business organizations and trade unions. Third, I present a case study of Norway that illustrates how Norway's oil wealth contributed to its 1975 ban on labor immigration and the development of its immigration policy toward low-skilled workers from the developing world. I also consider alternative hypotheses for Norway's immigration ban. Finally, I conclude the chapter with a summary of findings from field research.

## **5.2 Field Research Design**

The objective of the field research is two-fold. First, I seek to investigate the ways through which pro-immigration firms reveal their preferences to policymakers and how policymakers accommodate business preferences subject to their political and electoral constraints. Second, I use some of the information retrieved from the interviews to test whether the Norwegian oil boom in the 1970s had a hypothesized effect on its 1975 ban on labor immigration. To accomplish the objective of the field research, I have designed open-ended interview questions for three groups: political parties, employers' organizations, and confederations of labor unions. For all of the four countries, I contacted all major political parties both in government and opposition, employers' organizations that primarily repre-

sent labor-intensive sectors, and confederations of labor unions. In the Netherlands and Scandinavia, labor unions' views toward low-skilled immigration vary widely, depending on the industry. Instead of contacting individual labor unions, I contacted their umbrella organizations, confederations of labor unions, to uncover their general preferences toward low-skilled immigration and government policies that regulate the inflows of low-skilled workers. For political parties, it was important to get information from both governing and opposition parties to see whether opposition parties have intrinsically different views from parties that make up coalition governments.

From February to June, 2016, I conducted a total of 10 interviews in Denmark, the Netherlands, Norway, and Sweden. In Denmark, I met with a political consultant representing an opposition party and an official from a Danish employers' organization. In Sweden, I met with a member of parliament (MP) from an opposition party who is also the party's spokesperson on migration and refugee issues. I also talked to an official from a Swedish labor union confederation representing blue-collar workers. In Norway, I met with two MPs, one in the coalition government and another in an opposition party. I also met with an official from a Norwegian trade union confederation, and an official from a Norwegian business organization. In addition, I met with an academic with expertise in the history of immigration in Norway and Norwegian immigration policy. Finally, I was able to meet with an MP from a governing party in the Netherlands.

The interview questions can be classified into three broad categories. First, I asked about the preferences of interviewees about low-skill immigration. When interviewees revealed their views toward low-skilled workers and immigration policy, they also talked about other migrant groups, primarily refugees and sometimes high-skilled workers. Second, I asked several questions about inter-group dynamics, more specifically how they communicate or negotiate with other domestic interests over immigration policy. Generally, labor unions and employers' organizations reveal their preferences to policy-makers individually with occasional tripartite discussion on immigration issues. Due to



the recent refugee crisis, governments have also asked employers' organizations to come up with measures to train newly arrived refugees and incorporate them into the labor market. Lastly, I asked questions about the implications of the EU-wide labor market integration and the rise of right-wing populism for their organizations. Almost all MPs from mainstream parties, employers' organizations, and confederations of labor unions hold generally negative views toward right-wing populist parties while their opinions on the EU-wide labor market integration vary significantly.

## **5.3 Immigration Policymaking in a Nutshell**

### **5.3.1 Dual Immigration Policy**

The current immigration policies of the Netherlands and the Scandinavian countries target two distinct groups of immigrants. First, nationals from the European Economic Area (EEA) and Switzerland enjoy the freedom to move another EEA country and Switzerland. Although Switzerland is neither an EU nor an EEA member, the EU-Switzerland agreement on the free movement allows Swiss nationals to work in an EEA country and EEA nationals to work in Switzerland. While nationals of recent EU members (e.g. Croatia) generally face some restrictions, most EEA nationals are relatively free to move to and work in another EEA country. Although EEA countries and Switzerland do not impose employment restrictions on most EEA and Swiss nationals, they maintain national autonomy on EEA and Swiss nationals' social security rights.

Second, EEA members still maintain complete policy autonomy in regulating immigration inflows from non-EEA countries. These immigrants include both high-skilled workers and low-skilled workers as well as refugees and asylum seekers. The recent inflows of refugees, however, placed some constraint on national policy autonomy through the Dublin Regulation, a EU law that establishes the Member State responsible for the examination of the asylum application. This system of dual migrant groups constrains many

EEA members in regulating immigration inflows from other EEA member countries. For instance, a Danish politician said it is easier to set up policies for non-EU workers because Denmark is not bound by international conventions with respect to non-EU migrants, “making it more of a Danish issue and less of an EU issue.”<sup>1</sup> Similarly, a Norwegian MP said that Norway has its duties as part of the agreement with the EU to welcome people coming from the EEA area.<sup>2</sup>

### 5.3.2 Employers’ Organizations

Employers’ organizations represent firms’ interests on issues ranging “from legal concerns to disputes about properties and political issues.”<sup>3</sup> For instance, a Danish employers’ organization represents almost 10,000 members, all kinds of businesses of various sizes, including ones in service, trade, and manufacturing.<sup>4</sup> In Norway, the biggest employers’ organization represents about 30 percent of Norwegian businesses and industries. The ultimate goal of these employers’ organizations is to address firms’ general concerns about their day-to-day operations and to lower business taxes to a competitive level. Firms in Scandinavia are especially concerned about attracting foreign investors.<sup>5</sup>

These employers’ organizations have clear preferences for immigration. The Norwegian employers’ organization has almost exclusively focused on high-skill immigration due to its heavy reliance on the oil industry with 421 out of 422 Norwegian municipalities having oil-related jobs.<sup>6</sup> During the 1970s oil boom, Statoil and other business that were involved in the oil industry were in desperate need for skilled labor, especially engineers. These Norwegian firms implemented two initiatives to address a skilled-labor shortage.

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<sup>1</sup>A Political Consultant of a Danish Opposition Party. Personal Interview in the Danish Parliament. February 22, 2016.

<sup>2</sup>A Senior MP of a Norwegian Governing Party. Personal Interview in the Norwegian Parliament. April 26, 2016.

<sup>3</sup>A Representative of a Norwegian Employers’ Organization. Personal Interview in Oslo. April 22, 2016.

<sup>4</sup>A Representative of a Danish Employers’ Organization. Personal Interview in Copenhagen. February 22, 2016.

<sup>5</sup>A Representative of a Norwegian Employers’ Organization. Personal Interview in Oslo. April 22, 2016.

<sup>6</sup>A Representative of a Norwegian Employers’ Organization. Personal Interview in Oslo. April 22, 2016.

First, they recruited and brought skilled workers from other parts of the globe to Norway. Second, many Norwegian companies set up call centers in places like Mumbai, India. More recently, Statoil has been entertaining the idea of moving several of their service divisions to the Baltic states in order to cut production costs.<sup>7</sup> While Norway still relies on low-skill immigration for its hospitality and construction sectors, the majority of foreign workers come from other EEA countries, most notably Swedes, and Poles and Spaniards for hospitality and construction, respectively.<sup>8</sup> There has been very little public discontent with immigrants from these countries perhaps due to relatively low cultural dissimilarity between these immigrants and native Norwegians.<sup>9</sup>

In contrast, the Danish employers' organization has a stronger preference for low-skill immigration although the main issue has not been the cost of labor but the lack of labor. Denmark has generally been a high-wage country. After the 2008 financial crisis, Danish businesses have become much more interested in finding workers with specific skills, mainly high-skilled workers. However, the representative of the organization has mentioned that Danish businesses would like to see some more liberalization of immigration policy at all skills levels as the current Danish immigration policy remains quite restrictive.<sup>10</sup> Both the Norwegian and Danish employers' organizations mentioned that firms in the tradable sector as well as construction companies are the main proponents of low-skill immigration.

Firms in these countries have both formal and informal contact with politicians, including all kinds of government ministries. For instance, the Danish employers' organization maintains connections with different parties, including opposition parties. In addition, the Danish employers' organization uses the press, the media, and its daily newsletters

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<sup>7</sup>A Representative of a Norwegian Employers' Organization. Personal Interview in Oslo. April 22, 2016.

<sup>8</sup>The representative of a Norwegian employers' organization also mentioned that Spanish construction workers are technologically extremely skilled with expertise in building tunnels fast with a rate of 25 meters a day.

<sup>9</sup>A Norwegian Historian. Personal Interview in Oslo, Norway. April 21, 2016.

<sup>10</sup>A Representative of a Danish Employers' Organization. Personal Interview in Copenhagen. February 22, 2016.

to address various concerns of its members.<sup>11</sup> The Norwegian employers' organization also communicates its members' concerns on a day-to-day basis with the Norwegian government, mostly administrative units, including trade, finance, and transportation. In addition, there is an annual industry conference in Oslo, during which the Norwegian employers' organization invites leaders from all political parties and connects them with their member companies.<sup>12</sup> On a more formal side, the issue of immigration is on the agenda when wage negotiations between employers' organizations, labor union confederations, and governments take place every two or three years. This preliminary evidence from the interviews with the representatives from the Danish and Norwegian employers' organizations suggests that firms in Denmark and Norway have no less influence in immigration policymaking than their counterparts in the U.S. Based on the conversations with the representatives, firms in Denmark and Norway seem well-organized and have close relationships with whoever is in power.

### **5.3.3 Labor Union Confederations**

A confederation of labor unions (LO) represents the interests of labor unions on collective bargaining agreements in Sweden and Norway. In Norway, the LO represents about 24 unions on issues ranging from labor market, income policy, and other economic matters.<sup>13</sup> The Swedish LO represents about 14 different affiliates or organizations mobilizing blue-collar workers on the minimum wage issue, working conditions, and other central issues concerning the Swedish labor market.<sup>14</sup> Although the LOs do not have clear preferences over the entry criteria for low-skilled workers, their central concern on immigration is the pervasiveness of social dumping and employers' mistreatment of foreign workers.

As political interest groups, the LOs maintain relationships with all political parties

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<sup>11</sup>A Representative of a Danish Employers' Organization. Personal Interview in Copenhagen. February 22, 2016.

<sup>12</sup>A Representative of a Norwegian Employers' Organization. Personal Interview in Oslo. April 22, 2016.

<sup>13</sup>A Representative of a Norwegian Confederation of Unions. Personal Interview in Oslo. April 22, 2016.

<sup>14</sup>A Representative of a Swedish Confederation of Unions. Personal Interview in Stockholm. May 16, 2016.

and employers' organizations. Labor parties are their closest allies while right-wing populist parties have created some tension with the LOs. For instance, the Norwegian right-wing populist party, FrP, in the coalition government supports a more free-market approach that has not been so friendly toward labor unions. In Sweden, the right-wing populist movement has been a bigger issue for the Swedish LO as the right-wing populist party envisions a model of society radically different from what the LO and the Swedish Social Democratic Party have worked to achieve in the past. The xenophobic nature of the Swedish right-wing populist movement also harms the ability of the LO to mobilize workers from different ethnic backgrounds because it hurts the solidarity among blue-collar workers.

The most pressing concern for the LOs, however, is the issue of social dumping. Since December 15, 2008, Sweden started implementing more liberal immigration policies toward migrant workers from the Third World. While Swedish unions can provide some opinions about the quality of an offer and working conditions within a specific sector, they cannot deny the employment of foreign workers. For instance, if a foreign worker secures an offer from a Swedish employer in the construction sector, the contract is then sent to the construction labor union who in turn provides an assessment of the offer in reference to the Swedish collective bargaining agreement. As employers are the ones who issue work permits, and migrants from the Third World are not necessarily informed of the Swedish labor standards, there is some possibility of social dumping by employers who may offer lower working conditions or even renege on the initial terms of an offer. In Norway, the issue social dumping primarily concerns low-wage workers from Eastern Europe (e.g. Poland and Lithuania) because many Third-World migrants cannot find entry into Norway due to its restrictive immigration policy since 1975. As most migrants do not join unions, the LOs face some difficulties in preventing social dumping and incorporating migrant workers into their organizations.

While LOs in Norway and Sweden have preferences over immigration, their concerns

are not about how many immigrant workers should get into their countries. They said that they want to prevent employers from engaging in social dumping and seek to incorporate migrant workers into their member unions. LOs can use the institutionalized collective bargaining to exert some influence on policymaking, specifically laws that regulate labor standards and administrative procedures that punish employers for social dumping, but they do not have clear stances on entry-related immigration policy in Norway and Sweden.

### **5.3.4 Members of Parliament**

All of the MPs conveyed very clear policy stances on immigration with center-right parties favoring more liberal immigration policy than center-left parties. While the refugee crisis is the most pressing immigration issue among the MPs and their constituents, they also receive constant feedback from business interests and voters on the labor immigration issue and the status of current immigration policy. Scandinavian MPs emphasized that it is relatively easy for both businesses and citizen groups to meet with parliamentarians. Political parties also hold regular meetings with employers' organizations as well as confederations of trade unions. While some parties have a closer connection with business organizations or trade unions, they communicate with a diverse set of interest groups on immigration policymaking.

Between 2015 and 2016, Sweden received about 250,000 refugees. The most immediate questions for the Swedish MP were where to house refugees and whether to continue the border control that was introduced on January 4, 2016.<sup>15</sup> The Danish and Norwegian parliamentarians also expressed a similar concern over the refugee crisis with more emphasis on the role of local municipalities in integrating refugees into society. A Dutch MP also mentioned that it has become increasingly difficult to distinguish policies governing labor migrants from the Third World and refugees due to the increasing issue saliency of refugees. Moreover, the refugee crisis is inherently linked to policymakers' concern

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<sup>15</sup>An MP of a Swedish Opposition Party. Personal Interview in the Swedish Parliament. May 17, 2016.

over the welfare state.<sup>16</sup> MPs want to integrate refugees into the labor market as soon as possible through language and skill training so that the majority of refugees do not become net consumers of social welfare.

MPs expressed confidence in knowing public attitudes on immigration and refugees as well as business preferences for foreign labor. Instead of relying on the mass media and polls, MPs seem to have a good sense of where the public stands on the immigration issue by maintaining local contacts with their constituencies.<sup>17</sup> MPs also meet with employers' organizations to understand their labor-market concerns and need for foreign labor if there is any. A Dutch MP mentioned that there is an increasing demand from labor-intensive firms for subsidies to innovate production technologies to become less reliant on manual labor.<sup>18</sup> A Norwegian MP's opinion about employers' organizations indicates the importance of business preferences in policymaking:<sup>19</sup>

"Of course, there is a lot of lobbying. I take a lot of meetings with lobbyists from different organizations and especially the main employers' union. You know, they're important. If you get on edge with the businesses, the main employers, that's difficult. It's not going to make it easy to get reelected. They do tend to have valid opinions as well and interesting contributions to policy. I feel they're fairly happy with their level of influence."

Another relevant concern for MPs is the rise of right-wing populism. With an exception of the Norwegian MP in the coalition government, all MPs expressed concerns about the changing political climate moving toward the radical right. The Swedish MP said it was a mistake to ignore the right-wing populist party because a lot of voters who felt neglected by mainstream parties have supported right-wing populism. In contrast, the Dutch MP said it was a mistake to respond to the anti-immigrant rhetoric of the Dutch right-wing populist party because it increased the issue saliency of the right-populist

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<sup>16</sup>An MP of a Dutch Governing Party. Personal Interview in the Dutch Parliament. June 6, 2016.

<sup>17</sup>Some MPs said that they look at the polling results to understand the public sentiment regarding the refugee crisis.

<sup>18</sup>An MP of a Dutch Governing Party. Personal Interview in the Dutch Parliament. June 6, 2016.

<sup>19</sup>An MP of a Norwegian Opposition Party. Personal Interview in the Norwegian Parliament. April 20, 2016.

agenda in Dutch politics, which in turn helped the Dutch right-wing populist party, the Party for Freedom (PVV), gain more legislative influence. The Norwegian MP said that the Norwegian right-wing populist party, FrP has become more responsible as a member of the coalition government.<sup>20</sup> This more positive view of FrP is also expressed by other interest groups in Norway, most notably the Norwegian employers' organization.

## 5.4 The Case of Norway

Why did Norway place a ban on labor immigration in 1975 and since then why has it remained relatively closed toward low-skilled workers from the developing world? In Chapter 3, I argue that Norway's first oil boom in the early 1970s and particularly its peak in 1975 were responsible for its ban on immigration in the same year. I further argue that this is not necessarily due to the oil boom's effect on policymakers' expectation of future immigration inflows, but because pro-immigration firms abandoned their labor-intensive businesses. Without Norwegian firms' support for low-skill labor, policymakers accommodated the preferences of anti-immigrant interest groups and voters' implicit anti-immigration attitudes by placing a ban on labor immigration. Many neighboring countries of Norway, some of which are petroleum-rich, however, adopted similar measures in the 1970s. Sweden, a petroleum-scarce country also placed significant restrictions on immigration inflows in 1972.

One of the alternative hypotheses for these restrictive policies is that these countries became much more dependent on taxation for social welfare provisions since the 1960s. It is possible that voters and trade unions demanded more restrictions on low-skill immigration in exchange for their taxes that would fund social welfare. In Tables 3.2 and 3.3 in Chapter 3, I find a statistically significant negative association between welfare/personal taxation and immigration policy openness. Another possibility is that Norway placed a ban on

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<sup>20</sup>A Senior MP of a Norwegian Governing Party. Personal Interview in the Norwegian Parliament. April 26, 2016.



immigration not because of its oil boom but because of the 1973 oil crisis when major oil producers in the Middle East proclaimed an embargo. One possible mechanism is that Norwegian pro-immigration firms that relied heavily on oil as an input went out of business during the oil crisis, leading to a high unemployment rate. Policymakers may have closed their borders to protect Norwegian workers from labor-market competition with foreign workers. Another mechanism is that Norway decided to limit immigration in response to a global economic shock caused by the oil crisis. And Norway sought its own supply of oil in the North Sea as a response to the oil crisis. Finally, policymakers justified the ban because “[they] had to be able to solve the integration problems for immigrants already present in the country before letting new ones in” (Østby, 2013, pp. 11).

As noted before, it is possible that Norway’s oil boom was not exogenous. Given the 1973 oil embargo placed by many Arab petroleum producers, Norway may have increased its production of oil to meet the domestic energy demand and also to take advantage of the high oil price. In the meantime, energy-intensive companies facing high fuel costs may have gone out of business, causing growth to slow down and leaving many Norwegian workers unemployed. As a response to these economic changes, Norway’s governing party, the Labor Party may have decided to ban labor immigration. In other words, it is possible that the 1973 oil crisis was responsible for both Norway’s decision to produce oil and its decision to put a stop on labor immigration.

This alternative hypothesis is difficult to rule out in regression analysis because this hypothesis and Hypothesis 1 of Chapter 3 imply the observationally equivalent outcome, a negative statistical association between natural resource wealth and immigration restrictions. While year fixed effects and growth rate capture annual changes in the world oil price and economic climate, respectively, they do not completely rule out the possibility that both oil production and immigration policies respond to exogenous oil shocks in the global economy. To demonstrate the plausibility of Hypothesis 1 of Chapter 3, I rule out this alternative hypothesis by identifying and examining its necessary condition.

For the causal story of the alternative hypothesis to be true, we need evidence that the Norwegian economy was dealing with slow growth and high unemployment in the 1970s. Although it is true that most developed nations went into a period of prolonged recession after the 1973 oil shock, Norway was able to use its immense petroleum wealth to devise counter-cyclical financial policy, resulting in higher economic growth and lower unemployment. Philips Petroleum discovered petroleum resources at the Ekofisk field in 1969 well in advance of the oil shock in the 1970s (Grytten, 2016). While it may be the case that Norway expedited its oil production in response to the oil shock, it is not the case that the oil shock led to a recession in Norway. In fact, Norway experienced an economic boom and became one of the wealthiest countries in the world by the 1970s with a sharp increase in female labor market participation rate in the mid-1970s (Mehlum, Moene and Torvik, 2012). Together, these pieces of evidence indicate that the alternative hypothesis based on the 1973 oil shock cannot explain Norway's ban on immigration.

Instead, the history of the Norwegian economy in the 1970s lends support for Hypothesis 1. In Chapters 3 and 4, I have argued and shown that firms in the tradable sector are more pro-immigration. The following excerpt from the Economic History Association indicates that many Norwegian firms in labor-intensive industries went out of business in the 1970s (Grytten, 2016).<sup>21</sup>

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<sup>21</sup>Grytten (2016) also mentions that Norway's countercyclical financial policy focused on subsidies to firms, decreasing the productivity, competitiveness, and innovation in the Norwegian industrial sector.

“Norway lost significant competitive power, and large-scale deindustrialization took place, despite efforts to save manufacturing industry. Another reason for deindustrialization was the huge growth in the profitable petroleum sector. Persistently high oil prices from the autumn [of] 1973 to the end of 1985 pushed labor costs upward, through spillover effects from high wages in the petroleum sector. High labor costs made the Norwegian foreign sector less competitive. Thus, Norway saw deindustrialization at a more rapid pace than most of her largest trading partners. Due to the petroleum sector, however, Norway experienced high growth rates in all the three last decades of the twentieth century, bringing Norway to the top of the world GDP per capita list at the dawn of the new millennium.”

It was the manufacturing sector that went out of business from 1973 and 1985. Norway has always maintained relatively open trade policy as a small European economy. What caused this sudden decline of the pro-immigration industrial sector was not necessarily an increase in foreign competition but “spillover effects from high wages in the petroleum sector.” In the absence of pro-immigration firms, Bratteli’s Labor government had no reason to keep their borders open. It is clear that the oil crisis did not dampen the growth rates in Norway and that Norwegian workers sought new work opportunities in the rising service economy. As most service industries in the non-tradable sector, such as retail and construction, do not require specialized skills, it was easy for Norwegian workers to start working in the new sectors.<sup>22</sup>

The evidence lends support for the chain of events in which Norway’s oil boom led to the decline of labor-intensive industrial sectors in the absence of a higher unemployment rate—a necessary combination of key steps for the 1975 immigration ban according to Hypothesis 1. A natural resource boom is unusual in creating adverse economic conditions for labor-intensive pro-immigration firms while providing workers with ample employment opportunities. This uncommon condition provides more empirical support for Hypothesis 1.

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<sup>22</sup>For instance, see Iversen and Rosenbluth (2010, pp. 35)

The plausibility of Hypothesis 1 depends on the validity of the assumption that Norway's new firms in the service sector and the petroleum industry care less about the cost of low-skilled labor. Table 3.4 in Chapter 3 supports this assumption in the U.S. context with a theoretical justification that non-tradable sectors care less about immigration because they do not face foreign competition and can raise their output prices when wages increase. Since lobbying reports are not publicly available in Norway, I primarily use information retrieved from the interviews with an MP from an opposition party and a representative from a Norwegian employers' organization to support this assumption. Although the interviews do not illustrate the historical preferences of Norwegian firms, they are still relevant as Norway remains a major producer of oil.

The Norwegian MP's party is "very much in favor of [the free movement of labor within the entire EEA]." <sup>23</sup> While the MP was clear that "[t]he access to [EEA] labor has been very good for the employers," the MP's party "[has not] really felt that much of pressure from businesses to open up more." <sup>24</sup> More specifically, the MP has not felt business pressure to open the Norwegian borders more toward nationals from non-EU countries. To be clear, the MP mentioned that this lack of business support for foreign workers from the Third World may be due to the influx of Eastern and Central European countries under the freedom of movement. Yet, this explanation cannot account for Norway's 1975 immigration ban when the freedom of movement into Norway was generally restricted to other Nordic countries. In addition, the representative from a Norwegian employers' organization said that sectors that compete on a global scale, such as shipbuilders and furniture manufacturers, are the ones that are most susceptible to wage fluctuations. <sup>25</sup> As labor-intensive industries have either perished or innovated to become less dependent on low-skilled labor, Norway's immigration policy shifted toward attracting engineers and

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<sup>23</sup>An MP of a Norwegian Opposition Party. Personal Interview in the Norwegian Parliament. April 20, 2016.

<sup>24</sup>An MP of a Norwegian Opposition Party. Personal Interview in the Norwegian Parliament. April 20, 2016.

<sup>25</sup>A representative of a Norwegian employers' organization. Personal Interview in Oslo. April 22, 2016.

scientists from non-EU countries, who would make contributions to the development of the oil industry.<sup>26</sup> In addition, there is historical evidence that the Employers' Organization did not oppose more restrictive immigration policy during the 1970s immigration debate (Brochmann and Kjeldstadli, 2008, pp. 198).

The decline of pro-immigration firms due to an oil boom is a sufficient condition for Norway's restrictive immigration policy. However, Norway may have restricted labor immigration for other reasons. In other words, changes in the pro-immigration business coalition's relative strength are not a necessary condition for changes in Norway's immigration policy. Immigration policies also change when the anti-immigrant groups' opinions gain or lose influence in immigration policymaking. I now consider the two independent variables—the continued development of the Norwegian welfare state and the public debate on integration issues—as possible explanations for the labor ban.

Chapters 3 and 4 show that welfare taxation and welfare spending are important determinants of immigration policy. While this may not be a surprise, the mechanisms through which welfare states restrict low-skill immigration are not sufficiently elaborated in the existing literature. As I have argued so far, policymakers rarely act as social planners in immigration policymaking. Policymakers' concerns for welfare depletion by incoming immigrants should not drive their immigration policy decisions as long as welfare developments do not shape interest groups' preferences over low-skill immigration policy. It is possible that increases in welfare taxation or spending lead to an increase in voters' anti-immigration sentiment. For native voters, it does not matter whether low-skill immigrants actually consume more welfare than natives. It is rather their perception of higher welfare consumption by immigrants that drives their opposition to low-skill immigration in welfare states. To assess whether the further development of the Norwegian welfare state was responsible for the 1975 immigration ban, I present historical evidence on the public debate surrounding the ban and explore the signs of increasing nativism in the

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<sup>26</sup>A senior MP of a Norwegian Governing Party. Personal Interview in the Norwegian Parliament. April 26, 2016.

1970s. In sum, I do not find evidence that welfare was particularly responsible for the ban although these factors may have shaped Norway's restrictive immigration policies that followed the 1975 ban.

I use two pieces of evidence to examine whether the continued development of the Norwegian welfare state was responsible for the 1975 immigration ban. As mentioned earlier, an intervening variable for this causal process between welfare and restrictive immigration policy is a mechanism through which voters seek to exclude immigrants from welfare consumption, also known as "welfare chauvinism."<sup>27</sup> As a way to measure the influence of this group of voters, I examine the rise of the populist right-wing party, the Progress Party (FrP). In addition, I examine social security provisions introduced in the 1970s to see if these additional welfare provisions to the Norwegian public were relevant to the immigration debate in the 1970s.

The Norwegian welfare system took off with "the programmatic foundations of welfare capitalism that had been extended by socialist-led governments in the 1930s" (Hicks, 1999, pp. 98). Norway experienced a golden age of universalism in the 1960s when the Norwegian government introduced a national insurance scheme with various pensions followed by unemployment benefits, health insurance, and insurance for occupational injuries in 1971 (Kuhnle, 1986). During the oil crisis, Trygve Bratteli's Labor government's countercyclical economic strategy included several new welfare programs such as government-subsidized housing loans, a decrease in the official retirement age from 70 to 67, more expansive disability benefits, and a reformed sick-pay program (Sørvoll, 2015).

Even though the Norwegian welfare system continued to develop in the 1970s with these new minor programs, it is unclear whether Norwegian voters were becoming more welfare-chauvinistic toward immigrants due to this development. The right-wing populist party, FrP gained four seats in the Norwegian parliament in 1973 with a platform, "We

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<sup>27</sup>Kitschelt (1997, pp. 262) conceptualizes "welfare chauvinism" as an ideology "not necessarily rooted in cultural patterns of xenophobia and racism but in a 'rational' consideration of alternative options to preserve social club goods in efficient ways."

are tired of being exploited by state capitalism” while criticizing the Norwegian government’s transfer of welfare to unworthy recipients who could be Norwegians living on social security or development aid receivers in the Third World (Hagelund, 2005, pp. 149). Immigration was not even mentioned in FrP’s fourteen “we-are-tired-of” points in their 1973 platform, showing no signs of xenophobia or nativism toward immigrants.<sup>28</sup> However, FrP was the only party supporting a permanent immigration ban although their legislative influence was negligible in 1975 (Brochmann and Kjeldstadli, 2008, pp. 200). There is some evidence that a small fraction of the Norwegian population supported FrP (a 5-percent vote share) based on welfare chauvinism and that the Labor Party offered additional welfare provisions prior to the immigration ban. Yet, neither the policy scope of these additional welfare programs nor the emergence of FrP (a 2.6-percent seat share) was significant enough to explain the drastic turn of Norwegian immigration policy in 1975. The increasing importance of these factors in Norwegian politics, however, certainly contributed to the persistence of restrictive immigration policy in Norway.

Finally, I examine the issue of integration as a cause of the immigration ban. This is particularly important because the Norwegian public debate mentioned “integration” for the first time in a report delivered by the Labor Director Reidar Danielsen in 1972, also known as the Danielsen Report (Brochmann and Kjeldstadli, 2008, pp. 198–199). The content of the report suggests that integration was a relevant issue, but Norwegian parties’ different motivations for supporting the temporary ban reveal that integration was more of political rhetoric than a legitimate concern. First, the leftist parties, such as the Socialist Left Party (SV), opposed immigration due to its potential consequence of social dumping.<sup>29</sup> These parties also pushed for high labor standards and believed that immigration would undermine their political efforts in the Norwegian labor market. Second, the Norwegian Confederation of Trade Unions (LO) was also in favor of more restrictive policy, to improve the working conditions of industries in which immigrants were heavily present. Yet, the

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<sup>28</sup>A Norwegian Historian. Personal Interview in Oslo, Norway. April 21, 2016.

<sup>29</sup>A Norwegian Historian. Personal Interview in Oslo, Norway. April 21, 2016.

proposed policy had stipulated some exemptions for specific types of labor sought by the oil industry (Brochmann and Kjeldstadli, 2008, pp. 198–199).

In addition to the labor-market issue of integration, there was some concern about cultural differences between Norwegians and immigrants from the Third-World countries, such as Pakistan and Morocco, especially because there was growing anxiety about immigration inflows from these countries.<sup>30</sup> Yet, this cultural concern did not dominate the debate, as the integration policy introduced in the Danielsen Report was more of a suggestion than a mandate. Although integration was the Labor Party's *public* justification for the immigration ban, the report introduced a new "optional" inclusion policy under which immigrants were given the choice of assimilating or keeping "their own culture" (Brochmann and Kjeldstadli, 2008, pp. 199).

Norwegian parties showed overwhelming support for the temporary immigration ban, a policy that continued to shape Norway's modern immigration policy toward immigrants from the Third World over several decades. Parties across the left-right spectrum were in favor of the temporary ban although parties on the right were, in principle, more in favor of immigration. The only party that wanted a permanent stop and a mandatory integration policy was FrP, which had almost no legislative influence during the debate (Brochmann and Kjeldstadli, 2008, pp. 198–199). In conclusion, the issue of integration was relevant during the 1970s immigration debate, but there is no evidence that this issue alone was responsible for the immigration ban. The anti-immigration camp focused on integration to legitimize their support for the ban while the Norwegian Employers' Organization and parties to the right did not oppose the ban. The decline of the pro-immigration coalition in oil-rich Norway may have given birth to the Danielsen Report in the first place and induced policymakers to accommodate voters' anti-immigrant interests.

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<sup>30</sup>A Norwegian Historian. Personal Interview in Oslo, Norway. April 21, 2016.



## 5.5 Conclusion

Coalition governments in the Netherlands and Scandinavia accommodate a diverse set of domestic interests in immigration policymaking. Immigration policy is for sale and is often sold to the highest political bidder in these countries. In terms of politics, immigration policymaking in the Netherlands and Scandinavia is not fundamentally different from U.S. immigration policymaking. It involves political parties, firms, labor unions, and voters' implicit or explicit opposition to immigration. Firms communicate their preferences and concerns to governments on a daily basis, and policymakers in "small open economies" are keenly aware of the importance of firms for economic growth and public finance. Based on the information I gathered from the interviews with MPs, I conclude that policymakers in the Netherlands and Scandinavia maintain close relationships with firms, which I found more collaborative and intimate than the government-business relations in the U.S.

The in-depth case study on Norway carefully traces the necessary causal steps leading from the early 1970s oil boom to the 1975 immigration ban. While the 1973 oil crisis was responsible for a wave of immigration policy restrictions in other Western democracies, the oil crisis itself did not play an important role in oil-rich Norway as the Bratteli government used oil wealth to engage in counter-cyclical economic measures.<sup>31</sup> The unintended consequence of Norway's first oil boom, however, was the demise of pro-immigration firms and subsequent restrictions on immigration inflows. In the absence of an influential pro-immigration coalition, Norwegian firms began to take advantage of technological innovation which was often spilled over from the oil industry. In the post-oil era, Norwegian firms became much more technologically advanced and efficient.

The case of Norway also reveals that the anti-immigration rhetoric began to emerge around the time many pro-immigration firms were no longer in business. Employers' organizations, labor unions, and all political parties supported the 1975 immigration ban

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<sup>31</sup> Another country that performed relatively well during the oil crisis is the Netherlands thanks to its natural gas wealth.

for various reasons. The Norwegian society showed an overwhelming level of unity on the issue of immigration. Perhaps, political parties started responding to some of their constituencies' concerns over immigration when they became no longer accountable to pro-immigration interests. Since the late 1970s, the political ascension of FrP and welfare chauvinism have been the main driving forces behind Norway's restrictive immigration policy toward low-skilled workers from the Third World.

## CHAPTER 6

### Tyrants and Migrants

#### Abstract

This chapter examines the effects of natural resource rents on LSIP across 13 relatively wealthy autocracies after World War II. In contrast to Chapters 3 and 4, I argue that the natural resource wealth is *positively* associated with more open immigration policy in autocracies. Authoritarian immigration policy is a consequence of an autocrat's redistributive policy. As the distribution of resource rents in rentier autocracies reduces the incentive of domestic labor to enter the labor force, rentier states rely on migrant workers to meet the demand for low-skilled labor. Autocrats without resource rents, however, lack capacity for redistribution, so they use policies that provide people with wages in exchange for their labor while restricting immigration. Using the LSIP dataset, I find strong evidence for this argument across 13 autocracies in the post-WWII era.

## 6.1 Introduction

Much of the existing literature on the politics of immigration focuses on developed democracies. Foreign nationals seeking liberal political institutions and better economic opportunities are drawn to wealthy democracies around the world. Given the political, economic and demographic significance of immigration in developed democracies as well as the emergence of right-wing populism and fiscal crises in Europe, political scientists have explored the roles of party systems, welfare policy, xenophobia and special interests in shaping immigration policy developments under democratic institutions.<sup>1</sup> Only a handful of studies ask questions about the causes and consequences of immigration in autocracies while even fewer studies attempt to explain immigration policy variation in wealthy autocracies, such as Saudi Arabia and Singapore.<sup>2</sup>

A number of factors explain why the literature has done little to fill this gap. First, the literature on the politics of immigration evolved in isolation from the literature on the politics of authoritarianism. The political science literature on immigration is based on decades of research spearheaded by economists and demographers focusing on advanced democracies. Many of the assumptions and theories are not applicable to institutional settings of authoritarian regimes. Second, the lack of data on authoritarian governments' immigration policies has been a significant setback to any quantitative attempt to identify determinants of immigration policy in autocracies.<sup>3</sup> Finally, few studies have considered

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<sup>1</sup>See Freeman (1995) for his seminal piece on the client politics of immigration in liberal democratic states. See Givens and Luedtke (2005) for a discussion of European party systems and immigrant rights. For the link between inequality and immigration policy in the New World, see Hatton and Williamson (2005, 2007); Timmer and Williamson (1998).

<sup>2</sup>An exception is the Low-Skill Immigration Policy Dataset collected by Peters (2015), which includes autocracies in Latin America, the Middle East and Asia.

<sup>3</sup>For instance, Mirilovic (2010) uses actual immigration inflows as an indicator of immigration policy openness. This is problematic for several reasons. First, immigration flows are consequences of both push and pull factors. Using immigration inflows as a policy indicator requires accounting for all push factors from sending countries, such as natural disaster, civil war, and other social conditions that compel people to move abroad. Second, migration patterns tend to follow linear trends. As more co-ethnics reside abroad, migration increases even in the presence of restrictive immigration policy. Finally, open immigration policy does not necessarily coincide with an increase in migration inflows especially when host countries' economic conditions are less attractive than other destinations. Actual policy indicators, however, measure what policymakers *intend* to do in controlling immigration flows.

immigration policies of autocracies in comparative perspective. While scholars of the Middle East and the students of the rentier state note the importance of immigration in the Persian Gulf, their analysis of immigration is often descriptive or limited to the region.

In this chapter, I diverge from much of the literature on the politics of immigration in advanced democracies, including Chapters 3, 4, and 5. Instead, I explore how natural resource wealth shapes immigration policy when policymakers exercise exclusive ownership over revenues from capital-intensive natural resources.

Autocracies' divergent immigration policies have resulted in different population shares of immigrants. The presence of mass immigration or lack thereof in wealthy autocracies suggests a new venue of research in our understanding of the politics of authoritarian regimes and autocratic survival. More precisely, does immigration help authoritarian governments tighten their grip on power? And given the possible political and economic effects of immigration on authoritarian persistence, why do some autocracies have more restrictive immigration policy than others? This paper primarily addresses the latter question by looking at a number of high-growth, relatively wealthy authoritarian countries.

Economic growth increases the demand for labor, especially low-skilled workers. Given the high labor demand, why do some authoritarian governments seek foreign labor while others meet the labor demand by encouraging more native citizens to participate in the labor force? I primarily focus on relatively wealthy autocracies because one of the most important causes of cross-border migration is the wage differential between migrant-receiving and migrant-sending states (Abella, 1995; Breunig, Cao and Luedtke, 2012; Hanson and Spilimbergo, 1999; Massey et al., 1993; Ortega and Peri, 2013).<sup>4</sup> As poor autocracies do not face significant immigration pressure, they can set up immigration policy that lacks enforcement and effectiveness. Moreover, it would be difficult to code

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<sup>4</sup>Focusing on 18 OECD countries, Leblang, Fitzgerald and Teets (2014) do not find that income differentials between migrant-receiving and migrant-sending economies drive migration flows. Instead, they find that shared border, common colonial origin, and common official language increase bilateral migration flows.

and make inferences about poor economies' immigration policies. High economic growth and economic prosperity of some autocracies suggest that immigration policies of these authoritarian governments are relevant and deserve scholarly attention.

I argue that the immigration policy of an authoritarian regime is a consequence of elites' redistributive policy and their concern about the labor market. Even though elites generally prefer immigrant labor, immigration policy depends on the extent to which autocrats are able to redistribute to native citizens who would be underemployed in the presence of substantial low-skill immigration. When governments rely solely on elites' tax revenues, they lack capacity to redistribute. Without redistribution, autocrats provide wages in exchange for native workers' labor. Revenue-seeking governments encourage labor market participation of domestic workers while restricting immigration. On the other hand, governments with independent sources of income distribute rents to their citizens while supplying migrant workers to elites who support the regime.

This chapter illustrates how autocratic elites use immigration policy to meet their specific political goals, given their redistributive policies and political constraints. Hence, it is helpful to understand why immigration policies differ across autocracies before one can assess the consequences of immigration under authoritarian regimes. Using the existing literatures on the political economy of authoritarianism, rentier state, and redistribution, the chapter focuses on autocrats' discretion over resource income as one of the key *causes* of immigration policy in wealthy autocracies.<sup>5</sup>

This chapter continues as follows. First, I begin by theorizing how an autocracy's distribution of resource rents leads to open immigration policy through its effect on redistribution and natives' incentive to enter the labor force. Then, I provide an overview of authoritarian immigration policy by comparing autocracies' immigration policy dimensions to those of democracies. Third, I provide evidence that differences in natural resource income help explain why some autocrats open immigration while others do not make

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<sup>5</sup>See Bearce and Laks Hutnick (2011) for the correlation between immigration and authoritarian persistence.

policy changes to attract immigrants or even discourage immigration. Fourth, I use an alternative measure of immigration policy openness and conduct additional robustness checks. Finally, I conclude and discuss the implications of immigration within the broader political science literature of authoritarianism and introduce new areas of research in the field.

### **6.1.1 Domestic Interests over Redistribution and Labor Demand**

This section illustrates the policy preferences of autocratic elites and native citizens over redistribution and immigration policy. For simplicity, I do not make a distinction between elites and autocratic rulers. I instead assume that both elites and autocratic rulers have vested interests in regime stability through an intimate government-business alliance. I relax this assumption later to see how economic elites' distinct preferences for redistribution and immigration shape autocrats' immigration policy. I discuss two interrelated channels through which an increase in autocrats' resource rents leads to more open immigration policy, (a) the effect of non-tax revenue on the labor market, and (b) the effect of non-tax revenue on autocrats' vulnerability to native citizens' anti-immigrant attitudes.

Autocratic elites and native citizens have opposing preferences for redistribution and immigrant labor. While elites seek to limit redistribution and have a strong preference for foreign labor, native citizens favor redistribution and oppose foreign labor.<sup>6</sup> The core motivation behind elites' opposition to redistribution is based on the assumption that elites have to pay for native citizens' welfare. On the other hand, native workers oppose foreign labor because competition with immigrant workers decreases their income and on other non-material grounds (Freeman, 1995; Hatton and Williamson, 2005, 2007; Zolberg, 1989).<sup>7</sup> However, substantial redistribution can keep domestic labor quiescent about open

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<sup>6</sup>For elites' fear of redistribution, see Acemoglu and Robinson (2001, 2006); Boix (2003). For the societal cleavage between economic elites and citizens over immigration policy, see Freeman (1995).

<sup>7</sup>See Hainmueller and Hopkins (2014) for an excellent review of the literature on public opinions toward immigration.

immigration policy because income transfers decrease native citizens' incentive to enter the labor force and the extent to which governments are susceptible to their citizens' anti-immigrant attitudes. Even though elites in autocracies are relatively insulated from popular opposition to foreign labor, immigration policy outcomes depend on the extent to which they can use redistribution and the effect of redistribution on native citizens' incentive to work and to oppose immigration.

Autocrats can rely on various tools to consolidate their power, both coercive (i.e., repression) and persuasive (i.e., cooptation) (Wintrobe, 1998). Elites who depend on native labor must master difficult strategies of wage repression and seek ways to prevent and counteract collective actions by domestic labor for economic and political reforms.<sup>8</sup> Moreover, elites' economic dependence on domestic labor increases labor's influence in policymaking. Furthermore, labor may demand more policy concessions when autocrats tax labor. On the other hand, if autocrats can rely on temporary migrant workers from poorer countries, they can prevent political complication arising from native workers' employment opportunities. Since temporary migrant workers have a short time horizon in host autocracies and are primarily attracted by the wage differential between sending and receiving economies, they are less likely to protest and risk repression for labor and political reforms.<sup>9</sup>

While elites have a strong preference for access to foreign labor, they face different domestic constraints when making labor-market and immigration policies. The extent to which elites open immigration depends on two factors. First, the greater the extent to which elites can send direct income transfers to native citizens, the more foreign labor they can bring. Second, the source of income transfer matters. When elites have to carve out their *earned* income for redistribution, they are less likely to redistribute. In contrast, elites with access to natural resource rents have the means to send government

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<sup>8</sup>See Crystal (1994) for the long-run viability of repression for autocratic survival.

<sup>9</sup>See Czaika and Varela (2015) for a detailed discussion on why Indian migrants return home from wealthier host autocracies.



transfers in exchange for loyalty.<sup>10</sup> Indeed, Morrison (2009) finds that an increase in non-tax revenue is associated with more social spending in autocracies. Without redistribution to underemployed domestic labor, autocrats who open immigration, however, face increasing popular pressure for regime change.<sup>11</sup>

To summarize the argument, elites' distribution of natural resource windfalls to their citizens decreases citizens' incentives to take low-skilled jobs and to stage opposition toward temporary migrant workers. The transfer of rents to citizens, therefore, increases both elites' incentive and ability to open immigration. As native citizens become more expensive to hire as a consequence of redistribution, autocrats bring foreign labor to meet the labor demand. Elites who lack capacity to redistribute, however, use native labor to meet the labor demand while engaging in other labor-market policies to increase their profit and to stay in power. The combination of immigration and redistribution exempts elites from engaging in repressive labor-market policies toward domestic labor and becoming accountable to citizens' immigration policy preferences. Therefore, I argue that natural resource income is positively correlated with immigration policy openness. By contrast, the lack of resource income characterized by the East Asian Tigers under authoritarianism should lead to restrictions on immigration. Thus, I hypothesize the following:

*Hypothesis 1: As the size of an autocrat's resource income increases, the openness of immigration policy increases.*

### **6.1.2 Autocrats, Elites and Economic Policies**

For certain autocracies with few state-owned enterprises, it may be more useful to think of economic elites and autocratic rulers as separate entities with different goals. According

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<sup>10</sup>See Yom (2011) for the role of a generous welfare system in maintaining regime stability in rentier states.

<sup>11</sup>See Acemoglu and Robinson (2000) for the link between democratization and revolutionary threat by the masses excluded from policymaking.

to this framework, autocratic rulers only care about staying in power while economic elites are primarily concerned about maximizing profit. Revenue-seeking governments in non-rentier states depend on taxes generated from economic activities of both capital and labor (Bates and Lien, 1985). Without redistribution, autocrats of growing economies must provide work opportunities for native citizens in order to prevent popular dissent.

Knowing the policy constraints of autocrats, economic elites seek two policy concessions from authoritarian regimes. First, elites oppose redistribution of their profit to labor. Second, instead of foreign labor, elites seek government-sponsored wage repression and other policies that discourage strikes and the mobilization of workers. Although the cost of repression is high when citizens have workplaces to overcome collective action problems (Boix, 2003, pp. 26), capitalists pass on the cost of repression to autocrats. Revenue-seeking governments relying on capital's tax contribution reflect capital's preferences in their social spending and labor-market policies. The East Asian welfare model in 1980 exemplifies this framework in a non-rentier economy. The flexible labor market and limited public provision of social insurance outside of state sector workers in East Asia are examples of wage repression and limited redistribution (Haggard and Kaufman, 2008, pp. 5). On the other hand, governments in East Asia emphasized the importance of basic health services and education since public health and education increase the productivity of labor.

The presence of non-tax revenue, however, blurs the distinction between autocrats and economic elites because authoritarian governments in rentier states collect revenues from state-owned enterprises (Beblawi, 1987; Mahdavy, 1970). According to this view, autocrats are economic elites who are primarily interested in maintaining regime stability. Autocrats' ability to generate profit (e.g. resource rents) also translates into their ability to buy off opposition and disperse popular dissent through direct income transfers. As the distribution of resource rents makes native citizens wealthier and less opposed to immigration, autocrats rely on foreign labor to meet the labor demand.

## 6.2 Overview of Authoritarian Immigration Policy

For immigration policy, I use the LSIP dataset described in Chapter 2. In this section, I compare and contrast immigration policies between democracies and autocracies by presenting descriptive statistics on the 12 immigration policy dimensions and 3 provisions by regime type.

Table 6.1: Autocracies Included in the Sample

| Group               | Country      | Years of Autocracy   |
|---------------------|--------------|----------------------|
| Settler States      | Argentina    | 1955–1982            |
|                     | Brazil       | 1964–1978            |
|                     | Chile        | 1973–1989            |
|                     | South Africa | 1950–1993            |
|                     | Venezuela    | 1950–1958, 2009–2012 |
| Asian Tigers        | Singapore    | 1960–2010            |
|                     | South Korea  | 1948–1987            |
|                     | Taiwan       | 1951–1995            |
|                     | Hong Kong    | 1966–2010            |
| Oil-rich Monarchies | Saudi Arabia | 1950–2010            |
|                     | Kuwait       | 1963–2010            |
| Other Autocracies   | Spain        | 1950–1976            |
|                     | Botswana     | 1966–2013            |

Note: Argentina, Brazil, Chile, South Africa, South Korea, Taiwan, and Venezuela have democratized in various years. The sample only includes country-year observations under authoritarian regimes. Some countries are included after 1950 due to missing data on immigration policy, explanatory variables, or controls.

### 6.2.1 Immigration Policies by Regime Type

I present descriptive statistics on immigration policies across different political institutions after WWII. I make a distinction between democracies and autocracies by using the regime dataset assembled by Przeworski et al. (2000) and Cheibub, Gandhi and Vreeland (2010).<sup>12</sup> Although the authors do not identify Hong Kong’s regime type, it can be considered a liberal autocracy during its time as a British colony with civil freedom but without

<sup>12</sup>This binary indicator of democracy is only available up to 2008, so I have filled in the missing data for years beyond 2008.

representation (Ma, 2007). The same can be said about Hong Kong as a Chinese territory. With Hong Kong, Table 6.1 lists 13 autocracies.

Although one can expand the dataset by coding the immigration policies of other autocracies that are popular destinations of international migrants, such as Qatar, the United Arab Emirates and Bahrain, it is extremely difficult to obtain primary and secondary sources on immigration policies of these countries. In addition, adding more rentier states to the dataset will also make the sample imbalanced. In such a sample, any empirical support from the dataset may arise from the dataset's heavy reliance on oil-rich Monarchies. Since the sample includes at least two countries from South America, Africa, Asia and the Middle East, the dataset represents a variety of autocracies around the world.

Table 6.2: Immigration Policy Dimensions by Regime Type, 1946–2013

| Dimension                       | Democracies |           |      | Autocracies |           |      |
|---------------------------------|-------------|-----------|------|-------------|-----------|------|
|                                 | Mean        | Std. Dev. | Obs. | Mean        | Std. Dev. | Obs. |
| Universality by Nationality     | 4.014       | 1.275     | 1318 | 4.318       | 0.911     | 504  |
| Universality by Skill or Income | 3.043       | 1.05      | 1318 | 3.106       | 1.15      | 504  |
| Citizenship                     | 3.815       | 0.866     | 1318 | 3.197       | 1.027     | 504  |
| Rights                          | 3.887       | 0.883     | 1318 | 3.176       | 1.01      | 504  |
| Refugee                         | 2.507       | 1.24      | 1318 | 1.236       | 0.626     | 504  |
| Asylum                          | 2.715       | 0.989     | 1318 | 1.333       | 0.842     | 504  |
| Recruitment                     | 3.192       | 1.035     | 1318 | 2.873       | 1.103     | 504  |
| Work Prohibitions               | 4.134       | 0.959     | 1318 | 3.849       | 1.098     | 504  |
| Deportation                     | 2.889       | 0.855     | 1318 | 2.389       | 0.942     | 504  |
| Enforcement                     | 3.135       | 0.882     | 1318 | 3.712       | 0.847     | 504  |
| Family                          | 2.643       | 1.15      | 1315 | 2.045       | 0.828     | 504  |
| Quota                           | 4.225       | 1.435     | 1318 | 4.776       | 0.767     | 504  |
| Refugee Provision               | 0.780       | 0.414     | 1318 | 0.367       | 0.482     | 504  |
| Asylum Provision                | 0.869       | 0.337     | 1318 | 0.353       | 0.478     | 504  |
| Family Provision                | 0.937       | 0.243     | 1318 | 0.940       | 0.237     | 504  |
| Immigration Policy              | -0.856      | 0.75      | 1315 | -0.387      | 0.44      | 504  |

In general, autocracies place fewer restrictions on immigration inflows than democracies.<sup>13</sup> This is evident in *Universality by Nationality*, *Quota*, and *Enforcement* in Table 6.2.

<sup>13</sup>The following list is the group of democracies included in descriptive statistics: the United States, Australia, Canada, New Zealand, South Africa, Argentina, Brazil, Chile, Austria, Belgium, Denmark, Ireland,

Autocracies' high scores in these dimensions mean that immigrants are better able to find entry into autocracies. Autocracies, however, limit foreigners' access to citizenship and rights as well as family reunion, specifically the extent to which migrant workers can bring family members. This is consistent with a recent finding that autocracies can absorb more immigration than democracies (Breunig, Cao and Luedtke, 2012). The trade-off between entry policies and rights provisions also resonates with a notion that high-income countries cannot increase both immigration openness regarding entry and the extent to which migrant workers are granted rights after admission (Ruhs, 2013).

The most striking policy divergence between democracies and autocracies, however, is shown in refugee and asylum policies. If provisions regarding refugees and asylees exist, *Refugee Provision* and *Asylum Provision* are coded as "1" ("0" otherwise). While most democracies and autocracies have family provisions, autocracies are much more restrictive toward refugees and asylees. Autocracies's hostility toward refugees and asylees is also evident in *Refugee* and *Asylum*. Since the score of 1 means almost no refugees or asylees are allowed in host states, autocracies' average scores of 1.236 and 1.333 for *Refugee* and *Asylum*, respectively indicate that autocracies have extremely restrictive policies toward refugees and asylees. However, democracies' policy scores toward refugees and asylees are close to 3 meaning that democracies allow a moderate number of refugees while following the United Nations' definition of a refugee and procedures.

Another notable policy difference between democracies and autocracies is that autocrats' deportation policies are designed to expedite migrant worker deportation. The score of 2 for *Deportation* means that there are relatively many deportable offenses for migrant workers and that authorities can use a simple administrative process to deport a migrant worker. Autocrats relying on foreign workers tend to use deportation as a convenient tool to manage the labor market. This sharply contrasts with autocracies' more liberal entry criteria. Overall, the *Immigration Policy* factor score—measuring the extent to which

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France, Germany, the Netherlands, Norway, Sweden, Spain, Switzerland, United Kingdom, Japan, South Korea, Taiwan, and Venezuela.

migrant workers can gain entry into host states—is much higher for autocracies. Using the Polity IV data series with 6 as the lowest score for democracies and scores lower than 6 as autocracies shows very similar differences in immigration policies between democracies and autocracies.<sup>14</sup>

### 6.2.2 International Migration and Regime Type

Research on international migration and regime type shows that there are four patterns in the post-WWII age of migration (Breunig, Cao and Luedtke, 2012, p. 827). First, migrants tend to seek better economic opportunities, not civil and political freedom. Second, migrants tend to come from relatively poor democracies. Since democracies allow the freedom of cross-border *emigration*, citizens from democracies have a greater degree of cross-border mobility in terms of exit. Third, autocracies absorb more migrants because they are less constrained by domestic demand for anti-immigration policies. Finally, a recent work shows that autocracies' *emigration* policies also vary because autocracies face different trade-offs between the costs of emigration (e.g. mass exit and foreign influence) and the benefits of emigration (e.g. expelling dissidents and receiving remittances) (Miller and Peters, 2015).

The existing research on international migration and regime type makes inferences about autocracies' immigration policies based on actual immigration inflows. The descriptive statistics of the 13 autocracies' immigration policies in this paper confirm some of the findings of the existing research, particularly the finding that autocracies implement more open immigration policy while granting few rights to migrant workers. Table 6.3 portrays the differences in population shares of foreign-born individuals between democracies and autocracies included in the Low-Skill Immigration Policy Dataset.

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<sup>14</sup>The Polity IV Project classifies countries with polity scores equal to or greater than 6 as democracies. See Table D.5 for the differences in immigration policies between democracies and autocracies based on the Polity IV data's definition of democracy.

Table 6.3: Migrant Shares (percent) by Regime Type, 1946–2013

| Regime Type             | Mean   | Std. Dev. | Min.  | Max.   | Obs. |
|-------------------------|--------|-----------|-------|--------|------|
| Democracies             | 8.467  | 6.004     | 0.352 | 22.528 | 1016 |
| Autocracies             | 21.876 | 23.052    | 0.542 | 81.42  | 370  |
| Autocracies except K&SA | 15.044 | 16.383    | 0.542 | 52.916 | 276  |

Data on immigration are retrieved from the online World Development Indicators database of the World Bank (2014), measuring foreign-born population percentage (international migrant stock as a percentage of population). The World Bank does not provide annual observations on immigration but in increments of five years starting in 1960. Since migration stocks tend to be stable and follow linear trends, linear interpolation is used between time points to fill in missing observations.

Consistent with the existing literature on international migration and regime type, autocracies have larger population shares of migrant workers. The row, *Autocracies except K&SA* shows that excluding the oil-rich monarchies, Kuwait and Saudi Arabia, from the pool of autocracies does not change the central finding that autocracies have more capacity to absorb foreign workers than democracies. Moreover, autocracies' population shares of foreign labor exhibit a much higher standard deviation than those of democracies. On the other hand, democracies show a clear limitation in such variation relative to autocracies.

## 6.3 Empirical Analysis

### 6.3.1 Data

To assess the relationship between immigration policy openness and natural resource income, I have considered several measures of natural resource rents. The literature on the resource curse has used revenues from natural resource exports as a share of GDP as the standard measure of resource dependence (Morrison, 2009; Ross, 2001; Smith, 2004). While this measure roughly captures the fiscal dependency of governments on natural resource rents, it ignores the actual size of resource income which governments can use for regime stability. Since the main theoretical premise of the hypothesis is that autocratic elites

of rentier states distribute income to silence dissent among people, a more appropriate measure of resource income is the total revenue from natural resource production divided by population. Natural resources include fuel (oil, gas, and coal) as well as valuable minerals (i.e. gold, diamonds, silver, and copper). To measure the value of natural resource production, the production quantity of each resource is multiplied by its real world price, expressed in thousands of 2007 U.S. dollars. The total income from all natural resources is then divided by population in a given year. Starting with the dataset provided in Haber and Menaldo (2011), I have expanded the data on resource income for years up to 2013 by using growth rates of resource income from World Bank (2014).<sup>15</sup>

A remaining issue with the natural log of resource income per capita is that it underestimates the extent to which autocrats can provide patronage to *citizens*. Since rentier states such as Kuwait and Saudi Arabia host large population shares of migrant workers, using resource income divided by the entire population does not precisely capture autocrats' capacity to redistribute. Most autocrats do not generally distribute their resource income to temporary migrant workers, so I use the interpolated data of international migration stocks to compute resource income per citizen.<sup>16</sup> For the 13 autocracies after 1945, the correlation between total resource income per capita and total resource income per citizen is 0.925 and the correlation between the natural logs of the two values is 0.997. Since some autocracies, notably Taiwan, lack migration data, I replace the missing values of the natural log of resource income per citizen with the natural log of total resource income per capita.

I select several key control variables that are critical in properly testing the relationship between resource income and immigration policy. First, I control for the 1-year-lagged value of the natural log of population. Natural resource abundance in autocracies may

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<sup>15</sup>Haber and Menaldo (2011) used the Penn World Table to retrieve data on resource income and macroeconomic indicators. To be consistent with the data, I used growth rates of the World Bank's World Development Indicators to fill in missing data for most recent years in the dataset.

<sup>16</sup>See Johnston (2015) for the scope conditions under which autocrats distribute private goods to migrant workers.



attract immigrants or discourage emigration, raising population which in turn has potential consequences for immigration policy. I lag population by a year to partially address the endogeneity of population to immigration policy. Second, since many resource-rich countries tend to be wealthy, I include the natural log of gross domestic product per capita. Theoretically, differences in immigration policy between wealthy and less wealthy autocracies are plausible. Third, the amount of resource income can positively or negatively affect growth rates through its effect on the economy and on manufacturing sectors. As growth rates may change autocrats' stance on immigration policy, I control for economic growth. Controlling for growth rates and economic wealth allows the regression to compare immigration policies of resource-rich and resource-poor economies across observations with comparable economic characteristics. Finally, when I exclude Hong Kong from the sample, I include the polity score from Marshall and Gurr (2014) to control for the level of political development.<sup>17</sup> The rentier state literature consistently finds that resource income is negatively correlated with the quality of institutions, which in turn may affect autocrats' ability to influence immigration policy.<sup>18</sup>

### 6.3.2 Sample Selection

An underlying assumption behind the theoretical expectation of the relationship between natural resource rents and immigration policy openness is autocrats' discretion over resource revenues. In the mid-1970s, many governments of rentier states nationalized their natural resource industries. As autocrats placed resource industries under their full control, their capacity to distribute rents to citizens increased as well. For instance, there

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<sup>17</sup>The Polity Project does not code Hong Kong's political regime.

<sup>18</sup>Authoritarian rulers of oil-rich countries from the Arabian Peninsula to Africa have succeeded in consolidating their power by using super-normal wealth from natural resource extraction (Barro, 1999; Ross, 2001, 2012; Jensen and Wantchekon, 2006; Wantchekon, 2002). The causal link traditionally drawn between resource wealth and authoritarianism is deceptively simple. Natural resources produce enormous profits, rents that tend to fill the fiscal coffers of authoritarian leaders, displacing taxation as a necessary component of government revenue (Beblawi, 1987; Mahdavy, 1970). Without taxation, citizens often do not demand a more democratic regime through which they can set their own tax policy.

is more compelling evidence for the political resource curse after 1975 (Andersen and Ross, 2013; Ross, 2012). The resource curse literature emphasizes the important role of ownership in conditioning the extent to which natural resource rents empower autocrats (Jones Luong and Weinthal, 2006, 2010).

An ideal way to select a sample is to drop all observations under which autocracies do not have ownership over natural resource industries. While Kobrin (1980) provides some information regarding when and how many firms autocracies in rentier states nationalized, two problems still remain. First, the nationalization data do not cover all the years and countries in the sample of autocracies. Second, some autocrats nationalized their natural resource industries at different times during the 1970s. For instance, Argentina nationalized nine firms in the petroleum industry in 1963, followed by two more firms nationalized in 1974.<sup>19</sup> It is difficult to operationalize the role of ownership due to the incomplete data and the complexity in the nationalization process of natural resource industries. Instead, I divide the sample in to two different time periods: 1946–2013 and 1975–2013.<sup>20</sup>

Another issue is the classification of regime type. Using the regime classification by Przeworski et al. (2000) and Cheibub, Gandhi and Vreeland (2010) classifies Botswana and Venezuela as an autocracy and a democracy, respectively, for most time periods. The quality of Venezuela's democratic institutions started deteriorating when Hugo Chávez came into power in 1999. The polity score of Venezuela between 2006 and 2013 is below 6, placing Venezuela in a group of open anocracies according to the Polity IV Project. Botswana's polity score, however, ranges from 6 to 8 while it is still considered an autocracy by the binary regime classification due to the lack of electoral competition. Therefore, as an alternative measure of democracy, I restrict the sample to countries with polity scores below 6.

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<sup>19</sup>I thank Stephen Kobrin for providing the nationalization information.

<sup>20</sup>I borrow this approach from Andersen and Ross (2013); Ross (2012).

### 6.3.3 Empirical Strategy

I regress immigration policy on the natural log of resource income per citizen,  $\ln(\text{Resource Income per Citizen} + 1)$  using ordinary least squares (OLS) model with standard errors clustered on countries. Each model includes country fixed effects to capture country-specific, time-invariant variables that may drive immigration policy, such as culture, religion, geography, and climate. Country fixed effects also account for unchanging autocratic regime types, such as military regimes, single-party, and dynastic monarchy. Year fixed effects are included to account for common shocks every year. In addition, a lagged value (one-year) of immigration policy is included to properly model the dynamic process as suggested by Beck and Katz (1995). Since immigration policy is a set of laws and practices, the best predictor of today's policy is yesterday's policy. Policymakers often make amendments to existing laws and tweak existing practices to meet their goals. While some policy shifts are dramatic, past policies are the most important predictor of a country's current immigration policy. The following model summarizes the aforementioned empirical strategy.

$$\begin{aligned} \text{Immigration Policy}_{it} = & \beta_0 + \beta_1 \text{Immigration Policy}_{it-1} \\ & + \beta_2 \text{Natural Log of Resource Income per Citizen}_{it} \\ & + \sum_{k=3}^K \left( \beta_k \text{Control Variable}_{(k-2),it} \right) + \alpha_i + \mu_t + \epsilon_{it}, \end{aligned}$$

where  $\alpha_i$  and  $\mu_t$  indicate country fixed effects and year fixed effects, respectively.

I estimate two sets of models with two different samples of autocracies. The first set of models pools autocracies based on the binary indicator of autocracy. The second set pools countries that score lower than 6 in the Polity IV Project. Each set contains four models, (a) all autocracies since 1945, (b) all autocracies without Hong Kong after 1945 and the addition of *Polity Score* as a covariate, (c) all autocracies since 1975, and (d) countries in (b) since 1975 with the addition of *Polity Score* as a covariate. Table 6.4 summarizes the

specifications of eight models.

Table 6.4: Model Specifications

| Model | Autocracy | Years | Hong Kong Included? | Polity Included? |
|-------|-----------|-------|---------------------|------------------|
| 1     | Binary    | 1945– | Yes                 | No               |
| 2     | Binary    | 1945– | No                  | Yes              |
| 3     | Binary    | 1975– | Yes                 | No               |
| 4     | Binary    | 1975– | No                  | Yes              |
| 5     | Polity<6  | 1945– | Yes                 | No               |
| 6     | Polity<6  | 1945– | No                  | Yes              |
| 7     | Polity<6  | 1975– | Yes                 | No               |
| 8     | Polity<6  | 1975– | No                  | Yes              |

### 6.3.4 Results

Table 6.5 reports the regression results for the two time periods by pooling autocracies using the binary regime classification. Across the four models, the coefficients of resource income are positive. In Models 3 and 4, there is overwhelming evidence for the hypothesis. For instance, a 100-percent increase in resource income is correlated with a .012-unit increase in immigration policy openness in Model 3. Compared with Models 1 and 2, this correlation in Model 3 is significantly higher and highly statistically significant. The correlation between immigration policy and resource income is weaker substantively and statistically when all years since 1946 are pooled together.

It is difficult to interpret what this correlation really means in terms of policy impact due to the arbitrary nature of factor analysis. As an example, a .2-unit decrease in U.S. immigration policy score from 1923 to 1924 reflects the Immigration Act of 1924, also known as Johnson-Reed Act, that limited the annual inflows of immigrants from any country to 2 percent (from 3 percent) of the existing U.S. residents from that country, recorded in the 1890 census (Hatton, 2010, p. 964). The act aimed to cut annual immigration flows by more than 30 percent. Thus, it is plausible to assume that a 100-percent increase in resource income is associated with more than a 1.5 percent increase in annual immigration flows.

Table 6.5: Authoritarian Immigration Policy Regressed on Resource Income  
(Autocracy = 1)

|  | Model 1              | Model 2             | Model 3             | Model 4             |
|--|----------------------|---------------------|---------------------|---------------------|
| Years Included                           | 1946–2013            | 1946–2013           | 1975–2013           | 1975–2013           |
| Immigration Policy <sub><i>t</i>−1</sub> | 0.838***<br>(0.028)  | 0.813***<br>(0.033) | 0.700***<br>(0.046) | 0.719***<br>(0.056) |
| ln(Resource Income/Citizen)              | 0.004<br>(0.003)     | 0.001<br>(0.002)    | 0.012**<br>(0.003)  | 0.010***<br>(0.001) |
| ln(Population) <sub><i>t</i>−1</sub>     | -0.119***<br>(0.027) | -0.129**<br>(0.034) | -0.340*<br>(0.142)  | -0.272+<br>(0.145)  |
| ln(GDP Per Capita)                       | -0.027*<br>(0.012)   | -0.031*<br>(0.011)  | -0.061<br>(0.053)   | -0.060<br>(0.043)   |
| GDP Growth                               | -0.043<br>(0.056)    | 0.003<br>(0.031)    | -0.059<br>(0.079)   | -0.030<br>(0.085)   |
| Polity Score                             |                      | 0.001<br>(0.001)    |                     | -0.000<br>(0.002)   |
| Observations                             | 461                  | 413                 | 268                 | 231                 |
| Countries                                | 13                   | 12                  | 13                  | 12                  |
| R <sup>2</sup>                           | 0.876                | 0.878               | 0.806               | 0.817               |

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of immigration policy in year  $t$ . All independent variables are taken from year  $t$  unless otherwise noted. Cluster-robust standard errors are shown in parentheses. \*\*\*, \*\*, \* and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects are included in all models.

Since ln(Resource Income Per Citizen) ranges from 0 to 12.2 across autocracies, this is a sizable correlation.

As expected, population shows a negative correlation with immigration policy, implying that autocracies take population into account when making immigration policy. Wealthy autocracies also tend to restrict immigration, but the relationship is not statistically significant since 1975. In addition, we cannot reject the null correlation between the level of political development and immigration policy openness. Polity scores often show very little temporal variation within each country. Including fixed effects is likely to absorb any correlation between polity scores and immigration policy openness.

Table 6.6 reports the results for the same models shown in Table 6.5 by pooling any country-year observations with polity scores lower than 6. Consistent with the results in Models 1 through 4, the correlation between resource income and immigration policy

Table 6.6: Authoritarian Immigration Policy Regressed on Resource Income (Polity < 6)

|  | Model 5             | Model 6             | Model 7             | Model 8             |
|--|---------------------|---------------------|---------------------|---------------------|
| Years Included                           | 1946–2013           | 1946–2013           | 1975–2013           | 1975–2013           |
| Immigration Policy <sub><i>t</i>−1</sub> | 0.865***<br>(0.026) | 0.836***<br>(0.033) | 0.738***<br>(0.051) | 0.749***<br>(0.063) |
| ln(Resource Income/Citizen)              | 0.011*<br>(0.004)   | 0.008*<br>(0.004)   | 0.016**<br>(0.004)  | 0.012*<br>(0.004)   |
| ln(Population) <sub><i>t</i>−1</sub>     | -0.058+<br>(0.029)  | -0.065+<br>(0.033)  | -0.214*<br>(0.088)  | -0.207*<br>(0.074)  |
| ln(GDP Per Capita)                       | 0.012<br>(0.014)    | 0.009<br>(0.016)    | -0.011<br>(0.047)   | -0.024<br>(0.044)   |
| GDP Growth                               | 0.019<br>(0.072)    | 0.075<br>(0.048)    | 0.038<br>(0.142)    | 0.122<br>(0.144)    |
| Polity Score                             |                     | 0.003<br>(0.002)    |                     | -0.005<br>(0.007)   |
| Observations                             | 462                 | 418                 | 232                 | 196                 |
| Countries                                | 13                  | 12                  | 12                  | 11                  |
| R <sup>2</sup>                           | 0.827               | 0.825               | 0.745               | 0.754               |

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of immigration policy in year  $t$ . All independent variables are taken from year  $t$  unless otherwise noted. Cluster-robust standard errors are shown in parentheses. \*\*\*, \*\*, \* and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects are included in all models.

openness after 1974 (Models 7 and 8) is substantively higher with smaller standard errors compared to the results in Models 5 and 6 in which all years are included. The coefficients are also all statistically significant in Models 5 through 8. The differences between Models 1 and 2 and Models 5 and 6 show that using different classifications of autocracy matters when all years since 1946 are pooled together. Using this alternative classification of autocracy lends stronger empirical support for the hypothesis.

### 6.3.5 Robustness Checks

The stronger results in samples in Models 3, 4, 7, and 8 may be driven by dropping observations that do not lend support for the hypothesis. Many countries in South America and East Asia democratized after the mid-1970s. Since restricting the empirical analysis to years after 1974 runs the risk of letting Kuwait and Saudi Arabia drive the results, I drop

both Kuwait and Saudi Arabia from the analysis and reevaluate the relationship between resource income and immigration policy openness. I use the binary regime classification in Models 9 through 12.

Table 6.7: Authoritarian Immigration Policy Regressed on Resource Income (Autocracy= 1) without Kuwait and Saudi Arabia

|  | Model 9             | Model 10            | Model 11             | Model 12            |
|--|---------------------|---------------------|----------------------|---------------------|
| Years Included                           | 1946–2013           | 1946–2013           | 1975–2013            | 1975–2013           |
| Immigration Policy <sub><i>t</i>-1</sub> | 0.841***<br>(0.028) | 0.810***<br>(0.027) | 0.645***<br>(0.031)  | 0.612***<br>(0.070) |
| ln(Resource Income/Citizen)              | 0.004*<br>(0.001)   | 0.002<br>(0.002)    | 0.010***<br>(0.002)  | 0.016***<br>(0.003) |
| ln(Population) <sub><i>t</i>-1</sub>     | -0.228**<br>(0.063) | -0.280+<br>(0.130)  | -0.628***<br>(0.105) | -1.108*<br>(0.416)  |
| ln(GDP Per Capita)                       | -0.040*<br>(0.018)  | -0.050*<br>(0.019)  | -0.126+<br>(0.065)   | -0.141+<br>(0.065)  |
| GDP Growth                               | -0.065<br>(0.082)   | 0.009<br>(0.045)    | -0.063<br>(0.138)    | -0.081<br>(0.192)   |
| Polity Score                             |                     | 0.001<br>(0.001)    |                      | -0.006<br>(0.004)   |
| Observations                             | 354                 | 308                 | 196                  | 160                 |
| Countries                                | 11                  | 10                  | 11                   | 10                  |
| R <sup>2</sup>                           | 0.882               | 0.885               | 0.816                | 0.834               |

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of immigration policy in year *t*. All independent variables are taken from year *t* unless otherwise noted. Cluster-robust standard errors are shown in parentheses. \*\*\*, \*\*, \* and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects are included in all models.

Table 6.7 shows results similar to those in Table 6.5. Compared to Model 1, the coefficient of resource income in Model 9 is more statistically significant. Dropping Kuwait and Saudi Arabia does not reduce empirical support for the hypothesis. The correlation between resource income and immigration policy openness remains robust with similar coefficients across Models 3, 4, 11, and 12 that test the hypothesis for years after 1974.

Finally, I use an alternative measure of immigration policy openness to reevaluate the empirical validity of the hypothesis for autocracies after 1974. Instead of the factor score, I use a standardized average of seven entry and labor-market criteria: nationality, skill, quota, recruitment, labor prohibitions, deportation and enforcement. The correlation

between the immigration policy factor score and the standardized average is .76 for the 13 autocracies from 1946 to 2013. I use both the binary indicator of autocracy and polity scores ( $< 6$ ) to pool autocracies into two samples.

Table 6.8: Authoritarian Immigration Policy (Standardized Average) Regressed on Resource Income

| Regime Classification               | Model 13<br>Polity $< 6$ | Model 14<br>Polity $< 6$ | Model 15<br>Autocracy = 1 | Model 16<br>Autocracy = 1 |
|-------------------------------------|--------------------------|--------------------------|---------------------------|---------------------------|
| Years Included                      | 1975–2013                | 1975–2013                | 1975–2013                 | 1975–2013                 |
| Immigration Policy Average $_{t-1}$ | 0.831***<br>(0.029)      | 0.820***<br>(0.041)      | 0.803***<br>(0.024)       | 0.801***<br>(0.030)       |
| ln(Resource Income/Citizen)         | 0.010**<br>(0.003)       | 0.010**<br>(0.003)       | 0.009***<br>(0.001)       | 0.008***<br>(0.001)       |
| ln(Population) $_{t-1}$             | -0.085<br>(0.096)        | -0.005<br>(0.111)        | -0.138<br>(0.079)         | -0.108<br>(0.121)         |
| ln(GDP Per Capita)                  | -0.007<br>(0.036)        | 0.015<br>(0.036)         | -0.027<br>(0.031)         | -0.024<br>(0.033)         |
| GDP Growth                          | -0.129<br>(0.162)        | -0.087<br>(0.186)        | -0.186*<br>(0.071)        | -0.199*<br>(0.076)        |
| Polity Score                        |                          | 0.000<br>(0.003)         |                           | -0.000<br>(0.002)         |
| Observations                        | 232                      | 196                      | 268                       | 231                       |
| Countries                           | 12                       | 11                       | 13                        | 12                        |
| R <sup>2</sup>                      | 0.766                    | 0.764                    | 0.830                     | 0.831                     |

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of immigration policy in year  $t$ . All independent variables are taken from year  $t$  unless otherwise noted. Cluster-robust standard errors are shown in parentheses. \*\*\*, \*\*, \* and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects are included in all models.

Table 6.8 shows that the results remain robust to the use of an alternative measure of immigration policy openness and different coding rules for autocracy. These additional tests illustrate the robust relationship between autocrats' immigration policy choices and the extent to which they can use natural resource rents to keep native citizens quiescent.



## 6.4 Conclusion

This chapter was empirically and theoretically motivated by the wide variation in authoritarian immigration policy. The theoretical prediction and the rigorous empirical analyses emphasize the importance of natural resource rents, as well as the effect of its subsequent distribution in shaping autocratic elites' incentive and ability to bring in low-skilled workers. While the majority of migrant workers living in wealthy autocracies are low-skilled, some immigrant workers pose direct labor-market competition to a subset of native citizens. In Saudi Arabia, immigrants tend to fill young natives' positions, depriving them of social places to coordinate on political actions and to overcome collective action problems. Only after the Arab Spring and protests by young Saudis did the Saudi Arabian government begin to give in to popular pressure for more employment opportunities in the private sector by reducing its addiction to foreign labor, which in turn ironically led to a series of human rights violations toward migrant workers.

Another implication for government-sponsored injection of foreign labor into the economy is the role of working women and gender equality. While the literature notes the role of natural resource rents in diminishing employment opportunities for women (Ross, 2008), the mechanism through which resource rents lead to gender inequality is unclear. The distribution of resource rents may promote patriarchy by reducing the work incentive of native women. In the meantime, rentier governments rely on temporary immigration to meet the labor demand, depriving women of work opportunities. In contrast, the state monitors and controls male citizens by employing them under government branches even when they are often underqualified (Crystal, 1990, p. 11). Male citizens' dependence on autocrats' provision of welfare and employment opportunities increases their loyalty. In turn, rentier governments promote patriarchy to exercise control over individual households.

In rentier economies, temporary migrant workers also provide inexpensive services to native citizens who demand more services and goods due to an increase in redistribution. Immigration reduces the labor cost of domestic services, construction, and retail businesses.

In an economy with lower prices, autocrats' *real* income from resource revenues is higher. In other words, autocrats can provide a smaller paycheck to each citizen when the overall price level of a bundle of goods and services is lower.

The cases of oil-rich autocracies in the GCC area illustrate how natural resource wealth encourages and allows autocrats to rely on low-skill immigration, which in turn increases the chance of autocratic survival through their reliance on resource rents and temporary immigration. The political consequences of mass immigration in resource-rich autocracies pose a challenge to our understanding of why some autocracies persist while others fade into history. In the new age of migration, future research should focus on the mechanisms through which temporary migration can consolidate autocratic survival.

## CHAPTER 7

### Concluding Remarks

#### 7.1 Contributions

The dissertation makes several contributions to our understanding of immigration policy formation and suggests new venues of research within broader political science literatures. First, I have shown that immigration policy reflects the relative power of pro-immigration firms vis-à-vis native voters in advanced democracies. I have found little empirical support for the conventional claim that macroeconomic variables and demographic changes shape immigration policy outcomes. Instead, policymakers of democracies design immigration policies for interest groups who help them maximize their re-election chance. When pro-immigration firms thrive, borders become more open. In the absence of pro-immigration firms, policymakers accommodate native voters' opposition to immigration by erecting entry barriers. To a large extent, immigration policy outcomes are observable reflections of pro-immigration firms' relative power in democracies. In contrast, autocrats are relatively free from popular pressure for immigrant restrictions. More importantly, I have shown that autocrats with access to natural resource windfalls have much more policy autonomy over immigration as they face little opposition from the masses.

Second, I have shown that natural resource wealth produces differential effects on immigration policy under different political institutions. On the one hand, the theories and findings in Chapter 3 show that international political economy (IPE) scholars have

ignored the role of natural resource wealth in the politics of foreign economic policies. Resource booms have unintended consequences on the labor market, which in turn shapes the politics of globalization in various ways. On the other hand, the argument in Chapter 6 emphasizes an important role of temporary migration in rentier autocracies in reference to the resource curse literature. In sum, political institutions condition how natural resource wealth shapes the political economy of immigration policy with political and economic ramifications resulting from different levels of immigration.

Third, the dissertation features a comprehensive report of field research conducted in four different European countries over the course of five months during my visiting fellowship at Maastricht University. Interviews with MPs, labor union representatives, and business organizations reveal their preferences over immigration, especially low-skilled or blue-collar foreign workers and how various interest groups try to steer policymakers in the region. The field research improves our understanding of how European parliamentary democracies make immigration policies and administer integration policies in collaboration with local governments. Moreover, it reveals the importance of firms in the immigration policymaking process. Furthermore, the field research shows that labor immigration policy, the rise of right-wing populism, and the recent refugee crisis are all intertwined in shaping the domestic politics of Western European democracies. Immigration has become one of the most pressing concerns in Europe as well as in other parts of the developed world.

Finally, the dissertation introduces an updated dataset on immigration policy with an emphasis on LSIP. Immigration policies shape the socio-economic outcomes of immigrants and native voters' perceptions about economic globalization. Scholars interested in this venue of research can take advantage of this new dataset to explore domestic or international outcomes of immigration policy variation. The dataset also allows researchers to compare countries' immigration policies over time, especially in relatively new immigrant destinations in Scandinavia.

To sum up, the dissertation offers novel theoretical predictions of the argument and examines the empirical plausibility of these predictions with two different datasets, a newly expanded dataset on cross-national LSIP and the data on senate roll call votes. Many of the findings and implications in the dissertation also speak to a number of topics in the existing political science literature.

## 7.2 Key Implications

One of the major debates in the public opinion literature on immigration is whether native voters oppose immigration on material grounds.<sup>1</sup> While the chapters in the dissertation have not directly examined survey or experimental data on attitudes toward low-skill immigration, we can infer why voters oppose low-skill immigration and why policymakers close their borders without the support of firms for open immigration. First, policymakers close their doors in response to a large resource boom in democracies. As mentioned in Chapter 3, a resource boom increases the domestic wage and provides workers with more employment opportunities. During a resource boom, workers should be less opposed to low-skill immigration based on the labor-market competition model. Nonetheless, policymakers close their borders as the pro-immigration coalition declines. This implies that non-material concerns such as sociotropy and xenophobia among voters drive their opposition to immigration more than their concerns for labor-market competition. This is consistent with the recent findings in the public opinion literature concerning native attitudes toward low-skilled immigrants.

Second, policymakers in resource-scarce countries open immigration in response to increasing trade liberalization in Chapter 3. While trade liberalization and more open immigration can generate economic anxiety among workers employed in the tradable sector, policymakers still relax restrictions on immigration when firms ask for foreign labor.

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<sup>1</sup>For instance, see Scheve and Slaughter (2001*a*); Hainmueller and Hiscox (2007, 2010).

As mentioned earlier, firms are likely to assign more skill-intensive or communication-oriented tasks to native workers while hiring foreign workers for routine tasks. In turn, policymakers are able to open immigration without facing electoral punishment from native voters working in the tradable sector. Based on the labor-market consideration alone, medium-skilled native workers may welcome foreign labor in response to increasing competitive pressure because (a) migrant workers help their employers who provide native workers with jobs and (b) workers in the tradable sector are more likely to have industry-specific skills while being tied to their employers.

In Chapter 3, we also find little evidence of policymakers taking the role of a social planner in immigration policymaking. For instance, many industrialized countries in the West and East Asia face low birth rates and aging populations. However, the project has shown that a declining population is not a concern for policymakers. Immigration policy is simply a tool for policymakers to appease a diverse set of interest groups, and ultimately to increase their chance of staying in office. Some liberal democracies may have to face the long-run consequences of restrictive immigration policies for the stability of their welfare systems and the labor market.

As shown in Chapter 6, the GCC countries relatively “open” immigration entry criteria are contingent upon their immense oil wealth. The GCC economies’ heavy reliance is coming to an end once these countries exhaust their petroleum reserves. The end of the fossil-fuel era is going to have consequences within the GCC countries as well as for other migrant-receiving states. As the autocrats of the GCC economies lose their independent sources of income, popular preferences will have more influence in immigration policymaking, leading to more restrictions. As migrant workers currently occupy every sector in the GCC member states, the GCC economies will experience drastic changes in the labor market, possibly with more native workers coming into the labor force. Relatively resource-poor Bahrain exemplifies this possible future path. In addition, other wealthy countries, mostly wealthy democracies in the West and East Asia, will receive even more migration pressure

due to the GCC's immigrant restrictions.

### 7.3 Directions for Future Research

The political science literatures on IPE and authoritarianism have largely ignored the significance of international migration and the role of capital-intensive natural resource wealth in the political economy of immigration policy formation. Although we have recently seen much more discussion on international migration in the discipline, our understanding of immigration policy and the consequences of international migration remains limited. Factors and policies that influence the cross-border mobility of labor have important implications for politics at both domestic and international levels. Future research should focus on whether international migration has shaped economic variables, such as inequality and technological innovation, as well as how migration has played a role in the development of political institutions, including fiscal and redistributive policy instruments.

In addition, the political economy literature has overlooked the labor-market implications of the Dutch Disease in resource-rich economies. The existing literature has almost exclusively focused on one consequence of resource wealth, exchange rate appreciation. As I have demonstrated throughout this project, this often leads scholars to neglect other consequences of natural resource abundance. The two-sector model of the Dutch Disease shows that new employment opportunities in the non-tradable sector during a resource boom break intra-industry coalitions between capital and labor in the politics of trade.<sup>2</sup> In other words, the labor-market impact of high-value, capital-intensive resource wealth transforms industry cleavages into class cleavages as labor is relatively free to move to and within the non-tradable sector in a resource-rich economy. Future research should examine

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<sup>2</sup>See Schattschneider (1935) for inter-industry conflicts in the policymaking process. See Rogowski (1989) for a class-based framework highlighting the political conflicts between owners of different factors. See Hiscox (2001) for a theory outlining the conditions under which political conflicts occur between industries or between classes.

how this transformation of societal cleavages leads to different policy consequences in other policy areas.

## 7.4 Globalization and Immigration

The recent scapegoating of immigrants in developed democracies brings our attention to the lively debate on whether increasing economic globalization has been responsible for growing economic anxiety among native voters, resulting in immigration policy restrictions. While policymakers tend to restrict immigration in the absence of pro-immigration firms, they also restrict immigration when anti-immigrant voters are politically organized. For instance, Chapter 3 shows that policymakers restrict immigration in response to a rising right-wing populist vote share. There is some evidence that immigration inflows from the developing world, more specifically refugees and asylum seekers, explain the variation in right-wing populism while there is no independent effect of trade liberalization and capital mobility on the success of right-wing populist parties in Western Europe (Swank and Betz, 2003). In the public opinion literature, the labor-market competition hypothesis—opposition to immigration based on concerns about immigrants taking native workers' jobs—has failed to garner much empirical support.<sup>3</sup> Instead, considerations of national identity and group cues triggering emotions, in particular, anxiety tend to drive opposition to immigration.<sup>4</sup>

There is no evidence that economic globalization in trade and capital has led to restrictive immigration policy in post-WWII liberal democracies.<sup>5</sup> Increasing global economic integration can generate anxiety among some individuals, and some politicians may take

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<sup>3</sup>See Hainmueller and Hopkins (2014) for a brief review of the literature.

<sup>4</sup>For instance, see Sniderman, Hagendoorn and Prior (2004)'s study in the Netherlands for the role of national identity and Brader, Valentino and Suhay (2008) for the role of emotions induced by elite discourse.

<sup>5</sup>This central point of the dissertation directly contradicts the findings in Peters (2014, 2015, 2017) that increasing trade liberalization and capital mobility lead to restrictive immigration policy. This is not necessarily due to the different samples but because Peters (2015)'s operationalization of increasing capital mobility during the collapse the Bretton Woods system captures petroleum booms in countries like the Netherlands and the impact of the 1973 oil crisis on immigration policy.



advantage of this opportunity to gain electoral success. Yet, as long as pro-immigration firms exist, economic globalization does not necessarily lead to immigration policy restrictions. In a world of increasing capital mobility, policymakers who rely on pro-immigration firms' tax contributions provide them with a variety of incentives to keep them from moving abroad. Immigration is one of policymakers' many tools to make their location attractive. National immigration policies, however, will likely be more restrictive as pro-immigration firms innovate technologically to become less labor-intensive (Peters, 2014, 2015, 2017).

Another important phenomenon of the current globalization is the rise of service industry in post-industrial economies. In high-income countries, individuals demand more services such as healthcare, education, and entertainment, leading to growth of the service sector. As firms and individuals in the service sector do not face foreign competition, opposition to trade integration and capital mobility decreases. The Dutch Disease literature shows that windfalls from capital-intensive, high-value natural resources expedite this process of deindustrialization although increasing non-resource wealth also leads to incremental deindustrialization, resulting in the decline of pro-immigration firms under some conditions.<sup>6</sup> The rise of the service economy during the current globalization has optimistic implications for continued liberalization in the goods and capital markets but suggests that policymakers will restrict immigration as more firms leave the tradable sector in high-income countries. The global economy is moving toward a deeper integration in trade and capital but is accompanied by more restrictive immigration policy due to further deindustrialization. In the meantime, these "protected" service sectors will continue to receive more immigration pressure from the developing world as the non-tradable sector offers higher wages. The developed world is on path to another age of migration while governments of high-income economies will place more restrictions in response to deindustrialization.

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<sup>6</sup>See Peters and Shin (2016) for how inequality between capital and labor conditions the relationship between GDP per capita and immigration policy openness.

## APPENDIX A

### Data on Immigration Policy

#### A.1 Additional Tables and Figures

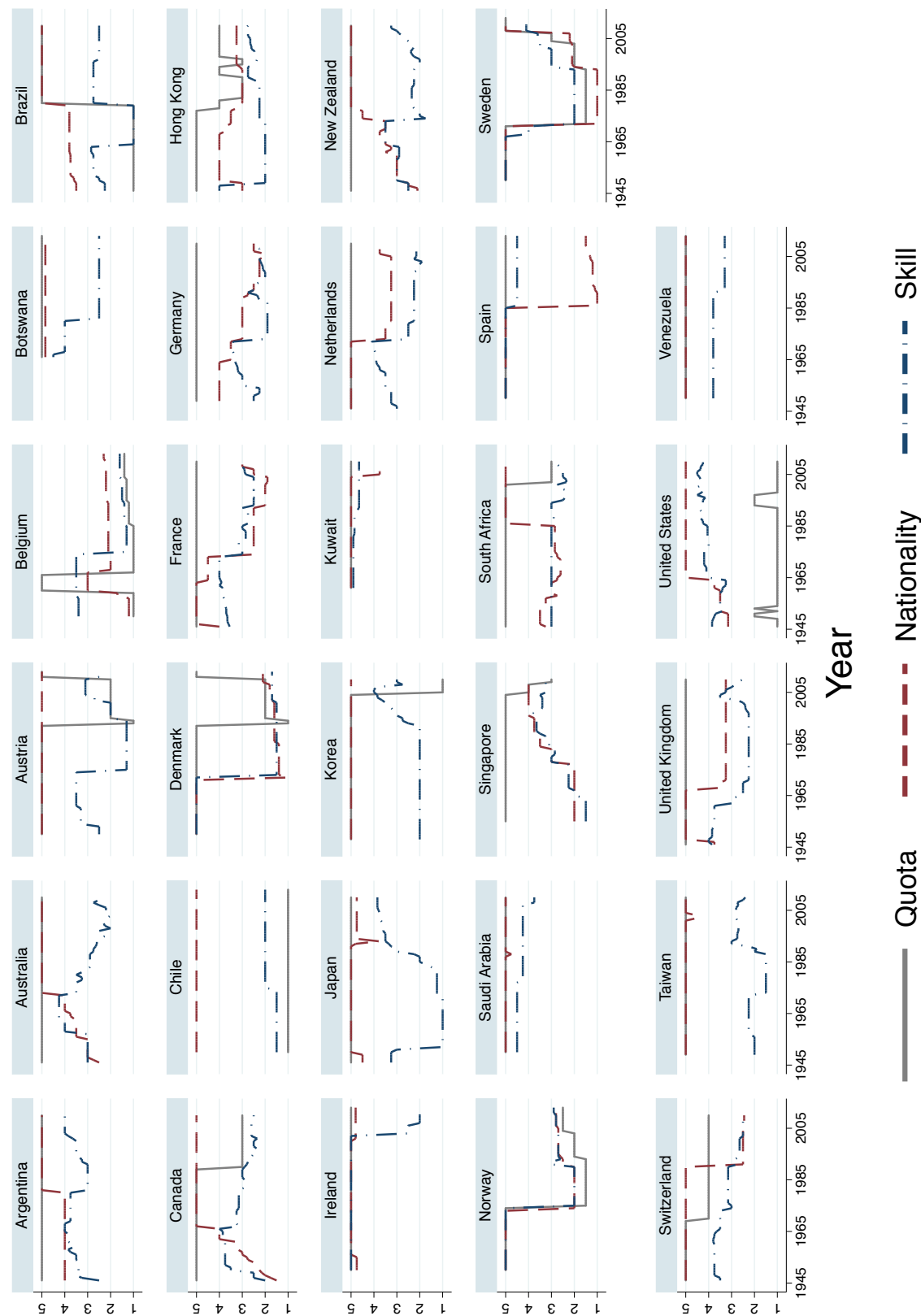
Table A.1: Summary Statistics of LSIP in Peters (2015) (19 Countries)

| Variable             | Mean  | Std. Dev. | Min. | Max. | N    |
|----------------------|-------|-----------|------|------|------|
| Nationality          | 4.318 | 0.862     | 1    | 5    | 2979 |
| Skill                | 3.78  | 1.115     | 1    | 5    | 2979 |
| Citizenship          | 3.643 | 1.085     | 1    | 5    | 2979 |
| Other Rights         | 3.955 | 0.831     | 1.25 | 4.95 | 2979 |
| Refugees             | 1.356 | 0.832     | 1    | 4.8  | 2979 |
| Refugee Provisions   | 0.269 | 0.444     | 0    | 1    | 2979 |
| Asylum               | 1.638 | 0.917     | 1    | 4.75 | 2979 |
| Asylum Provisions    | 0.432 | 0.495     | 0    | 1    | 2979 |
| Recruitment          | 3.714 | 0.831     | 1    | 5    | 2979 |
| Work Prohibitions    | 4.388 | 0.796     | 1.5  | 5    | 2979 |
| Deportation          | 3.525 | 1.146     | 1    | 5    | 2979 |
| Enforcement          | 4.046 | 0.933     | 1.6  | 5    | 2979 |
| Family Reunification | 1.707 | 0.994     | 1    | 5    | 2979 |
| Family Provisions    | 0.49  | 0.5       | 0    | 1    | 2979 |
| Quota                | 4.761 | 0.873     | 1    | 5    | 2979 |

Table A.2: Summary Statistics of the Expanded LSIP (29 Countries)

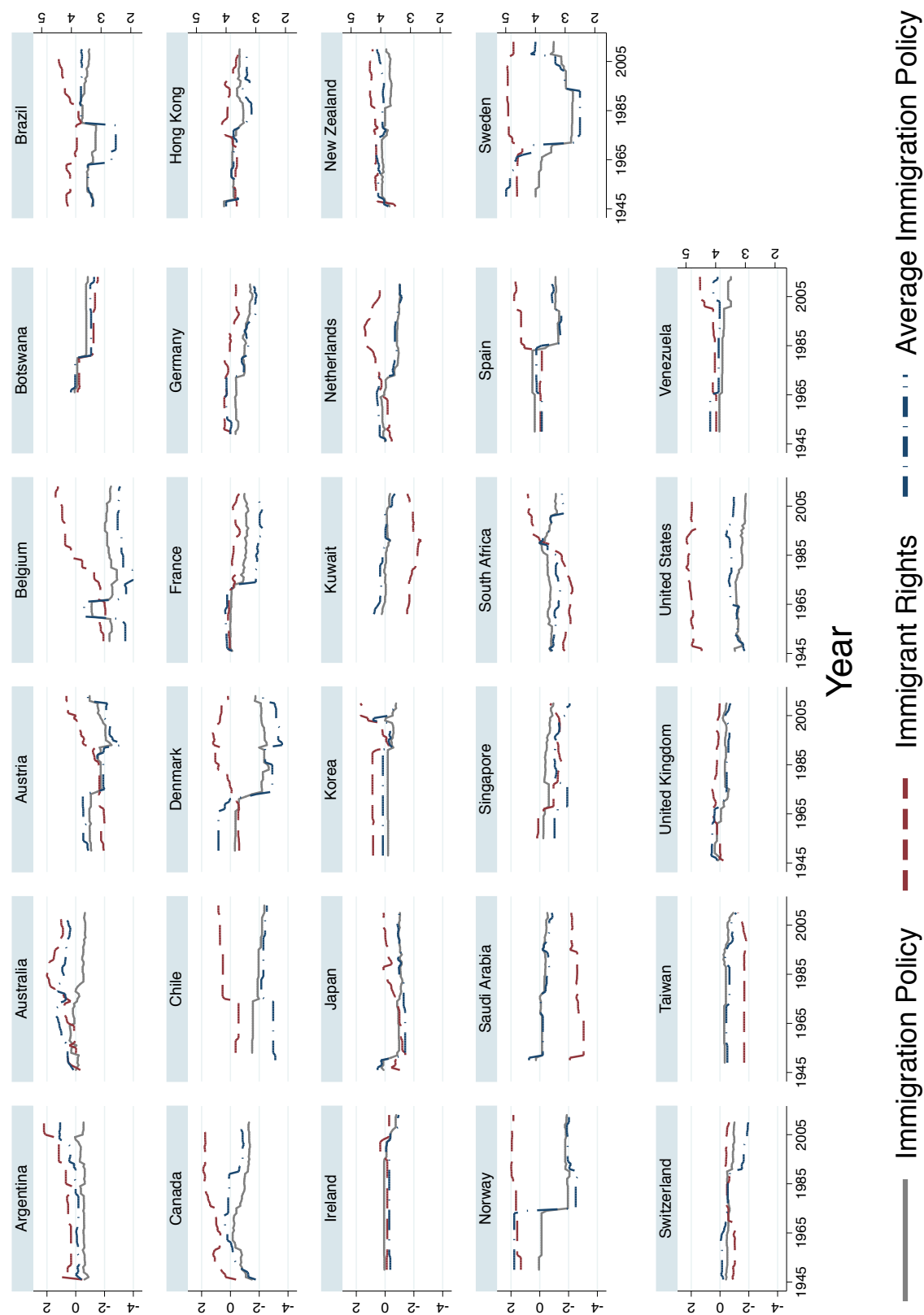
| <b>Variable</b>    | <b>Mean</b> | <b>Std. Dev.</b> | <b>Min.</b> | <b>Max.</b> | <b>N</b> |
|--------------------|-------------|------------------|-------------|-------------|----------|
| Nationality        | 4.248       | 1.019            | 1           | 5           | 3603     |
| Skill              | 3.682       | 1.177            | 1           | 5           | 3603     |
| Citizenship        | 3.677       | 1.067            | 1           | 5           | 3603     |
| Other Rights       | 3.894       | 0.897            | 1           | 5           | 3603     |
| Refugees           | 1.602       | 1.047            | 1           | 4.8         | 3603     |
| Refugee Provisions | 0.354       | 0.478            | 0           | 1           | 3603     |
| Asylum             | 1.823       | 1.039            | 1           | 4.75        | 3603     |
| Asylum Provisions  | 0.487       | 0.5              | 0           | 1           | 3603     |
| Recruitment        | 3.507       | 1.023            | 1           | 5           | 3603     |
| Work Prohibitions  | 4.302       | 0.91             | 1.5         | 5           | 3603     |
| Deportation        | 3.386       | 1.146            | 1           | 5           | 3603     |
| Enforcement        | 3.898       | 0.977            | 1.2         | 5           | 3603     |
| Family             | 1.853       | 1.09             | 1           | 5           | 3600     |
| Family Provisions  | 0.553       | 0.497            | 0           | 1           | 3603     |
| Quota              | 4.574       | 1.15             | 1           | 5           | 3603     |

Figure A.1: Immigration Policy Dimensions, 1945–2013



*Note:* This figure shows the three immigration policy dimensions based on quota, nationality, and skill over time in country-year observations from 1945 to 2013 for 29 countries.

Figure A.2: Immigration Policy, Immigration Rights, and Average Immigration Policy, 1945–2013



*Note:* This figure shows the factors scores for Immigration Policy and Immigrant Rights on the left y-axis and a standardized average of a standardized average of nationality, skill, quota, recruitment, labor prohibitions, deportation, and enforcement over time in country-year observations from 1945 to 2013 for 29 countries.

## A.2 Immigration Policy Codebook

The following codebook comes from Peters (2015).

**Universality by Nationality:** How selective is the state about letting immigrants in based on their national origin? Does nationality matter at all? Are there few national groups or many allowed in? A score of 1 represents that few or no nationalities are allowed in. A score of 5 represents that all nationalities are treated equally. One issue that this brings up is that in the late 20th and early 21st centuries, states often gave some groups preferential access to their labor market while having an overall policy of equality. For example, New Zealand uses a point system with no national origin criteria but also has a special program with the island nations of the South Pacific for seasonal workers. In this case, these preferential access programs – because they are almost always for low-skill workers – are coded in the universality by skill category. This coding rule is used because the policy is to increase, and not deny, access to the state.

1. Only descendants of natives allowed in.
2. A few nationalities allowed entrance but not many. Example: if a European country only allowed immigrants from other EU countries.
3. Many nationalities allowed in but not all or migrants from some regions excluded. Example: Between 1924–1965, the US quota system allowed in many Northern Europeans, some Southern and Eastern Europeans, anyone from the Western Hemisphere and no one from Asia.
4. Almost all nationalities allowed in. Example: In the late 19th century, only Chinese were excluded from the US. Additionally, numerical limits by country but not differentiated by country. Example: Current US law restricts migration from each country to 20,000.

## 5. No exclusions based on nationality

**Universality by Skill or Income:** Does the state restrict by the skills or income an immigrant possesses? Does it use a point system with points given for education or special skills? Are people excluded based on profession (e.g. no prostitutes), illness (e.g. no epileptics), or likelihood of becoming a public charge? A score of 5 on this scale indicates that the country has no restrictions by skill and a score of 1 means only the very highest skilled workers (executives, high-level intracompany transfers) are allowed in. Again, when states exempt one group from these restrictions - either by nationality in the case of the New Zealand seasonal workers program for Polynesians or by a general category like the seasonal agricultural workers program in Britain - the score increases.

1. Only highly educated, high income earners allowed in; many excludable classes.
2. Mostly high educated, high earners, but some allowances for low-skilled workers; some excludable classes.
3. Preference for high-skill workers but many opportunities for low-skilled workers; some excludable classes.
4. Few slots reserved for high-skill workers (i.e like the H1B visa in the US); most visas open for anyone; few excludable classes (e.g. only criminals, those likely to become a public charge).
5. No skill restrictions for any visas; no excludable classes.

**Quota:** Is there a quota and how restrictive is it? Quotas are only coded when the quota is a numerical limit on a large portion of immigrants, not when it is a target for the number of immigrants. Targets, like policy statements or development plans, are not coded because they are not changes in legislation but usually administrative policies. The quota does not need to be binding on all immigrants. This is because it is rare to have a quota that binds on all immigrants. Usually at least wives and minor children of citizens are allowed in above

the quota; this policy is denoted in the family immigration policy coding. Sometimes, the quota is only on one class of immigrants, such as the Hong Kong quota on Chinese immigrants, but this class makes up the majority of immigrants entering the country. Again, high-skill workers from other countries could enter above the quota; although, interestingly, wives and minor children of Hong Kong belongers (equivalent to citizens) cannot. This is denoted in the other categories.

1. Less than 0.25% of population can enter annually
2. 0.25-0.5% of population can enter annually
3. 0.5-1% of the population can enter annually
4. Over 1% of population can enter annually
5. No quota

**Recruitment:** Are there special visas or procedures to recruit labor or settlers? To recruit workers, do employers have to advertise first or otherwise seek approval from a government ministry? How many industries can recruit? Do firms have to pay levies or other taxes for foreign workers? Does the government pay for passage or give settlers or workers other benefits to induce them to come? A score of 1 denotes that all workers have to follow the same requirements as all other immigrants and that firms cannot recruit from overseas. An example of this is the US Contract Labor Law. A 5 denotes that the government will pay for passage of any immigrant and will give the immigrant money, land, or other goods to help him to settled.

1. No special procedure or visa, come in under the same system of regulation as everyone else; labor recruitment prohibited.
2. Small set of visas for special groups of workers (i.e. agricultural workers); trigger to reduce numbers based on employment data; employers are not allowed to pay



for moving expenses; many restrictions including no unemployed natives in the industry.

3. Moderate number of visas for all groups or many groups obtain visas; employers allowed to pay for moving expenses; some procedures for recruiting workers.
4. Few or no restrictions on visas for any type of worker, employers are allowed to pay moving expenses; few restrictions or procedures for obtaining work visas.
5. Government program to recruit workers or settlers, government pays for the workers' transportation cost and helps pay for firms or government officials to recruit workers.

**Work Prohibitions:** How many occupations can the immigrant work in? Are there requirements to have a certain number of native workers in an occupation/firm or that foreign workers can only make up a certain percentage of workers? How many occupations do the rules cover? All? Just certain industries? Are there racially based policies? A score of 1 means that immigrants are not allowed to work in any industry. This is not the case for any of the states in this sample. A score of 5 means that there are no restrictions or in modern times, that the only restrictions are in highly sensitive national security positions.

1. Immigrants completely blocked from the labor market.
2. Immigrants restricted from many occupations; less than 30% of the workers in a given occupation/firm can be immigrants (covering most or all of occupations).
3. Immigrants restricted from some occupations; 30-50% of workers in given occupation/firm can be immigrants (covers some occupations).
4. Immigrants cannot hold public sector positions; 50% or more of the workers in a given occupation/firm can be immigrants (covers some occupations).
5. Immigrants can hold any position (except for highly sensitive national security

positions); no restrictions on the number of immigrant workers in a given occupation/firm.

**Family:** Do family members get special treatment? Can they immigrate more easily than others? Are there racial or skill distinctions? A score of 1 indicates that no family members are given special treatment and a score of 5 indicates that many family members are given special treatment. Most states fall somewhere between a 2 – special treatment for wives and minor children only and a 4 – wives and minor children and sometimes parents can enter without difficulty and all other relatives can be sponsored with some occupational or skill requirements. One issue with family migration is that states did not seem to consider it a necessary policy to have when there were few restrictions by nationality or skill. Family reunification policies only came into being once other restrictions were put in place. Given that the states have no policy on family migration during these times, these years are scored as a 1.

1. No special provisions for family reunification; family members must enter under the same procedures as others.
2. Only wives and minor children of citizens or legal permanent residents can be sponsored, but are free from other controls.
3. Increased number of relatives can be sponsored (e.g. adult children or dependent parents) but only by citizens and/or relatives (except minor children and wives) need to possess same characteristics as non-family immigration (i.e. if there is a literacy test, relatives must pass the test); relative in the country has to pay bond or otherwise be responsible.
4. Many categories of relatives can be sponsored by citizens or residents (e.g. siblings, parents not dependent on migrant) but still must possess same characteristics as non-family immigrants (except minor children and wives); relative in the country has to be responsible for immigrant.

5. Many categories of relatives can be sponsored by citizens or residents and they do not need to possess the characteristics of non-family immigrants (exemption from literacy exams, etc.); no bond required or responsibility for relative in the country.

**Family Provisions:** Coded 0 before first mention of special provisions for families; 1 after.

**Refugee:** Does the state have a resettlement policy or does it just resettle refugees on an ad hoc basis? How selective is their refugee policy? Do they let in many refugees? Are refugees only defined as those who meet the 1951 Convention or 1967 Protocol or is there are more expansive definition? Refugee policy is coded as a 1 if the country has no special policy and a 5 if the country is willing to resettle large numbers of refugees without taking into consideration the refugees' qualifications. This last criteria is to distinguish the more generous refugee policies of the current day with those after World War II when most receiving countries placed occupational restrictions on refugees, selecting for higher skilled migrants. Ad hoc refugee programs for one group during the crises are coded as relaxing refugee restrictions and the magnitude of the change is based on the number of refugees the state was willing to allow in. The change in coding only lasts as long as the refugee program was in place; for example, when New Zealand took in Ugandan refugees in 1973, but no other years, the increase in the refugee score is only calculated for 1973.

1. Almost no refugees allowed in; those that are allowed in must follow normal immigration procedures.
2. Some refugees allowed in; special refugee visas but refugees chosen by some sort of preference or must be able to pass tests that non-refugee immigrants take; few reasons for being a refugee or ad hoc policy.
3. Special refugee visa, preference system but not overly burdensome; moderate number of refugees allowed in; must follow some of the requirements that a non-refugee immigrant would have to pass; the UN definition of a refugee is followed.

4. Large number of refugees allowed in; no preference system or very weak system; easy to obtain refugee visa; exemption from requirements of non-refugee immigrant; at least the UN definition of a refugee is followed.
5. Large number of refugees; no preference system or requirements; very easy to obtain refugee visa; many categories of refugees included not just the UN definition.

**Refugee Provisions:** Coded 0 before first mention of refugee; 1 after.

**Asylum:** How easy is it to gain asylum? What rights do asylum seekers and asylees have? Are they kept in detention centers? Are they repatriated? Is there only one asylum status or is there temporary protected status as well? What are the procedures and are there legal safeguards?

1. No asylum.
2. Extremely difficult process; asylum granted only in a few cases; little ability to work or access to welfare state while awaiting determination; little recourse if not granted asylum; no temporary protected status; limited access for political refugees.
3. Difficult process; asylum granted for more cases; some access to the welfare state or labor market, more recourse including ability to access courts if denied; some temporary protected status allowed.
4. Fairly easy process; asylum granted to many groups; access to labor market and welfare system; access to courts and other procedures if denied; temporary protected status given to many groups.
5. Easy process; asylum granted for most cases; access to labor markets and welfare state; constitutionally protected procedure; no need for temporary protected status because almost everyone gets asylum.

**Asylum Provisions:** Coded 0 before first mention of asylum; 1 after.

**Citizenship:** How easy is it to obtain citizenship? What determines citizenship for children

born in the country (jus sanguinis, jus soli, double jus soli)? Are there racial discriminations in citizenship? How easy is it for the government to denaturalize citizens? A score of 1 denotes states where citizenship is only given through birth through one parent (usually the father). A score of 5 denotes jus soli citizenship (citizenship given to all children born in the state) and an easy naturalization process. Racial discrimination in citizenship policies leads to a lower score as well.

1. Only by birth from a native father or mother.
2. Only by birth through either native parent and/or grandparent.
3. Very difficult process to obtain citizenship (language requirements, difficult test) and/or many years to citizenship (more than 10 years) and/or children receive citizenship through either parent or grandparent.
4. Moderately difficult process (relatively easy language requirements and/or an easy test) and/or moderate time to citizenship (more than 5 but less than ten years) and/or children born in state automatically get citizenship.
5. Fairly easy process (e.g. no language requirements) and short time to citizenship (5 or less years) and children born in state automatically get citizenship.

**Immigrant Rights:** What rights do immigrants have once in the state? Are there racial/national origin discriminations? Does the government try to integrate immigrants or does it just expect them to assimilate? How easy is it to get permanent residency? A score of 1 indicates few legal rights: immigrants had to be registered; they had to go through invasive health checks; they do not have the right to marry nationals; they could only live in specific locations; they could only work for specific employers; they have no access to the welfare state; they cannot own land; they are discriminated against and they cannot gain 16 permanent residency. In states coded as 1, immigrants can basically only work the job in which they were hired for and cannot leave the housing provided for

them by their employer. A score of 5 indicates parity to citizens: complete access to the welfare state; voting rights; no restrictions in where they can live or work; no restrictions in property rights and a robust anti-discrimination program.

1. Almost no legal rights; immigrants must leave state if they leave their job; cannot own property; cannot access the welfare state; they have to register, no freedom of religion, no permanent residency, etc.
2. Some rights but land ownership and ownership of companies restricted; limited access to the welfare state.
3. Ability to change jobs freely, some ownership of real property or companies; some access to the welfare state, some racial discrimination in laws.
4. Access to most welfare policies; few restrictions on ownership of property or firms.
5. Total access to welfare state, voting rights without citizenship, no restrictions in property ownership, integration policies, no racial discrimination, few years to permanent residency.

**Deportation:** How easy is it to deport an immigrant? What safeguards exist? Does the state engage in mass expulsions or pay people to leave the country? A score of 1 denotes that there are many deportable offenses, including losing one's job and there are few administrative or judicial safeguards. A score of 5 is given if there are few deportable offenses (usually deportation is limited to criminals) and/or clear judicial checks.

1. No appeals process; many deportable offenses, including losing one's job.
2. Administrative process with few checks; fewer deportable offenses.
3. More checks on the process and even fewer deportable offenses.
4. Judicial checks on process including going to the highest court in the land and/or very few deportable offenses.

5. Almost no deportable offenses (conviction for an criminal offense, but not for an immigration offense) and clear judicial checks.

**Enforcement:** How strongly does the state enforce its borders? Are there employer sanctions, fines or prison time for illegal immigrants? Are there amnesties? During an amnesty are immigrants allowed to stay or just leave without paying a fine? A score of 1 denotes a high spending country, with severe employer sanctions, sanctions on those who are in the country legally including fines and prison time, bonds to ensure that immigrants leave and identification papers that are hard to forge. A score of 5 denotes no enforcement beyond basic police enforcement.

1. High spending, employer raids or hard to forge national work IDs, strong employer sanctions, bonds placed by employers to ensure that migrants go home, large number of enforcement officials.
2. Slightly less spending, fewer raids or easier to forge national work id, border enforcement is strong but not impossible to over come.
3. Even less money, no raids, easy to forge IDs, some border enforcement.
4. Very little enforcement, screening at points of entry, little enforcement on employers.
5. Basically no enforcement.

## APPENDIX B

### Primary Resources, Secondary Labor

#### B.1 Additional Tables

Table B.1: Summary Statistics for 15 Democracies, 1950–1995

| Variable   | Mean   | Std.<br>Dev. | Min.   | Max.   | N   |
|--|--------|--------------|--------|--------|-----|
| Immigration Policy                                       | -0.881 | 0.775        | -2.858 | 0.417  | 648 |
| Tariff Level   | 4.302  | 2.923        | 0.700  | 31.2   | 631 |
| Natural Log of Resource<br>Income Per Capita             | 4.821  | 1.964        | 0      | 8.693  | 648 |
| Natural Log of Non-coal<br>Resource Income Per<br>Capita | 4.085  | 2.365        | 0      | 8.692  | 648 |
| Natural Log of<br>Population/Area <sub><i>t</i>-1</sub>  | 4.057  | 1.712        | 0.181  | 5.914  | 598 |
| GDP Growth   | 0.037  | 0.027        | -0.07  | 0.191  | 645 |
| Natural Log of GDP Per<br>Capita                         | 9.569  | 0.411        | 7.901  | 10.3   | 648 |
| Polity Score   | 9.847  | 0.723        | 5      | 10     | 648 |
| Inequality <sub><i>t</i>-1</sub>                         | 0.519  | 0.093        | 0.332  | 0.784  | 610 |
| Welfare Taxation/GDP                                     | 7.850  | 5.456        | 0      | 21.27  | 648 |
| Personal Taxation/GDP                                    | 10.49  | 4.669        | 2.768  | 27.818 | 639 |
| Net Union Density  | 40.845 | 15.88        | 8.569  | 82.803 | 638 |
| Right-wing Populist<br>Vote Share                        | 1.309  | 3.431        | 0      | 23     | 648 |
| Schengen   | 0.008  | 0.088        | 0      | 1      | 648 |
| OECD   | 0.752  | 0.432        | 0      | 1      | 648 |



Table B.2: Summary Statistics for 20 Democracies, 1946–2013

| Variable   | Source   | Mean   | Std.<br>Dev. | Min.   | Max.   | N    |
|--|--|--------|--------------|--------|--------|------|
| Immigration Policy                                       | Peters (2015); Author  | -0.899 | 0.752        | -2.858 | 0.417  | 1053 |
| Tariff Level   | Clemens and<br>Williamson (2004);<br>World Bank (2014);<br>Johansen (1985) | 3.907  | 3.933        | 0.147  | 38.1   | 1006 |
| Natural Log of<br>Resource Income Per<br>Capita          | Haber and Menaldo<br>(2011); World Bank<br>(2014)                          | 4.852  | 2.083        | 0      | 10.045 | 1053 |
| Natural Log of<br>Non-coal Resource<br>Income Per Capita | Haber and Menaldo<br>(2011); World Bank<br>(2014)                          | 4.199  | 2.428        | 0      | 10.038 | 1053 |
| Natural Log of<br>Population/Area <sub>t-1</sub>         | Haber and Menaldo<br>(2011); World Bank<br>(2014)                          | 4.085  | 1.672        | 0.181  | 6.505  | 963  |
| GDP Growth   | Haber and Menaldo<br>(2011); World Bank<br>(2014)                          | 0.035  | 0.038        | -0.121 | 0.701  | 1047 |
| Natural Log of GDP<br>Per Capita                         | Haber and Menaldo<br>(2011); World Bank<br>(2014)                          | 9.688  | 0.49         | 7.2    | 10.541 | 1053 |
| Polity Score   | Marshall and Gurr<br>(2014)  | 9.802  | 0.738        | 5      | 10     | 1048 |
| Inequality <sub>t-1</sub>                                | Ortega and Rodriguez<br>(2006); Houle (2009)                               | 0.523  | 0.102        | 0.332  | 0.784  | 897  |
| Welfare Taxation/GDP                                     | Cusack (2000); Cusack<br>and Beramendi (2006)                              | 7.850  | 5.456        | 0      | 21.27  | 648  |
| Personal<br>Taxation/GDP                                 | Cusack (2000); Cusack<br>and Beramendi (2006)                              | 10.49  | 4.669        | 2.768  | 27.818 | 639  |
| Net Union Density  | Golden, Lange and<br>Wallerstein (2000)                                    | 40.14  | 16.466       | 8.497  | 82.803 | 712  |
| Right-wing Populist<br>Vote Share                        | Swank (2014)   | 2.625  | 5.433        | 0      | 28     | 947  |
| Schengen   |  | 0.133  | 0.34         | 0      | 1      | 1053 |
| OECD   |  | 0.746  | 0.435        | 0      | 1      | 1053 |

## B.2 Endogenous Trade Liberalization

For theoretical simplicity, I have treated trade openness as an exogenous factor. It is possible, however, that revenues from natural resource production expedite trade liberalization through the deindustrialization of labor-intensive sectors.<sup>1</sup> When firms that oppose trade liberalization exit the tradable market due to the Dutch Disease, it becomes easier for policymakers to open trade. In addition, capital-intensive firms that face exchange rate appreciation may seek to lower tariffs of foreign markets by supporting bilateral or multilateral free trade agreements. As the Dutch Disease induces capital-intensive exporters to mobilize themselves for trade liberalization, labor-intensive firms may decide to leave the tradable sector. Policymakers then close immigration in the absence of the support of labor-intensive firms for more immigration. Treating trade liberalization as an endogenous consequence of resource wealth does not change the central results of the argument.

Another possibility is that policymakers restrict immigration for other reasons. Such restrictions on labor inflows cause labor-intensive firms to exit the market due to a higher domestic wage. Proponents of free trade gain more political influence in trade politics as labor-intensive firms exit due to restrictive immigration policy. Then trade liberalization is a consequence of restrictive immigration policy, implying a negative policy correlation between trade and immigration openness. While this alternative explanation seems plausible, my theory suggests that this negative policy correlation only occurs in resource-rich countries. If immigration restrictions cause trade liberalization by raising the domestic wage, this should be observable in resource-scarce countries as well. The argument of the paper, however, predicts a positive policy correlation only in resource-scarce countries. The argument of reverse causality does not elaborate on how restrictions on immigration policy can lead to different trade policy outcomes in resource-rich and resource-scarce

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<sup>1</sup>Resource extraction requires abundant capital. Upon the discovery of capital-intensive natural resources, foreign capital flows into the domestic economy to facilitate exploration, extraction and refinement. This massive influx of capital changes the factor endowment of the economy, causing a decrease in the output of labor-intensive goods according to the Heckscher-Ohlin model of international trade (Rybczynski, 1955).

economies.

The history of trade policy in labor-scarce democracies suggests that the possibility of immigration policy influencing trade policy is indeed unlikely, especially in the post-World War II era. Although the role of the Reciprocal Trade Agreements Act (RTAA) in promoting free trade has been questioned in the literature,<sup>2</sup> the institutional features of the RTAA, once put in place, facilitated the movement toward free trade in the U.S. Furthermore, the post-World War II multilateral trade integration within Europe and the rise of the European Union as a supranational institution encouraged many labor-scarce European countries to open up their goods markets through reciprocity, giving birth to the Common Customs Tariff (CCT) through the EUCU.<sup>3</sup> Yet we observe quite divergent immigration policies among Western European countries during this period of trade liberalization. It is implausible to speculate that different immigration policies have led to the EU-wide economic integration in the goods market.

### **B.3 Firms, Asset Mobility, and Immigration**

The argument of this article does not make an explicit assumption about the degree of international capital mobility. If most firms are able to move abroad in response to trade liberalization, policymakers no longer have an incentive to bring foreign low-skilled workers regardless of the level of an economy's resource dependency. Since increasing capital mobility has characterized the post-WWII era, it is plausible to assume that some firms have exit options abroad. The "new" new trade theory, however, demonstrates that only the most productive firms engage in foreign activities (Melitz, 2003). More strikingly,

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<sup>2</sup>See Hiscox (1999) for how party politics and parties' relationships with different trade coalitions actually promoted both the RTAA and trade liberalization in the U.S.

<sup>3</sup>Since European economies produce different products, domestic interests of each country seek to protect what they actually produce while supporting liberalization on goods they mostly import. See Ehrlich (2009). Regardless, EUCU has virtually eliminated internal tariffs within the European Community and has greatly reduced CCT since the 1990s. Trade liberalization and market integration within the EU have increased trade openness in all member states with some cross-national variation of openness.

only a small proportion of those firms serving foreign markets engage in horizontal foreign direct investment (FDI) (Doms and Jensen, 1998; Girma, Thompson and Wright, 2002; Helpman, Melitz and Yeaple, 2004). Given that labor-intensive firms in wealthy economies are neither exporters nor productive, it is unlikely that increasing international capital mobility provides existing pro-immigration firms with foreign exit options. It is, however, plausible that domestic capital that would have invested in domestic labor-intensive firms in the absence of capital mobility now has attractive investment opportunities abroad under capital mobility. The owners of this mobile capital would not lobby for liberal immigration policy.

Even if some pro-immigration firms are able to move abroad via various forms of FDI, policymakers in resource-deficient and resource-rich economies face vastly different political constraints. Resource-rich economies with a booming non-tradable sector provide jobs to native workers even when firms in the tradable sector perish or move abroad. Therefore, policymakers in resource-rich economies do not help domestic firms that seek to ship jobs abroad in response to increasing trade liberalization. On the other hand, policymakers in resource-deficient economies must worry about job losses caused by trade liberalization since native workers have fewer viable outside employment opportunities than workers in resource-booming economies. Trade-related job losses impose more severe electoral punishment on policymakers than other job losses (Margalit, 2011). Therefore, policymakers in resource-scarce economies are more likely to be responsive to the policy preferences of domestic firms in the tradable sector than their counterparts in resource-rich economies.

## APPENDIX C

### Petroleum Wealth and U.S. Senators

#### C.1 Additional Tables

Table C.1: Summary Statistics (1964–2008)

| Variable                                       | Mean    | Std. Dev. | Min.    | Max.   | N    |
|--|---------|-----------|---------|--------|------|
| Pro-Immigration Vote Shares                    | 0.461   | 0.327     | 0       | 1      | 3792 |
| Weighted Low-Wage Import Penetration           | 0.058   | 0.128     | 0.001   | 0.954  | 3161 |
| $\ln(\text{Real Coal Income Per Capita})$      | 2.461   | 2.865     | 0       | 9.746  | 4198 |
| $\ln(\text{Real Oil Income Per Capita})$       | 2.961   | 3.143     | 0       | 12.134 | 4198 |
| $\ln(\text{Real Gas Income Per Capita})$       | 2.461   | 2.886     | 0       | 9.722  | 4198 |
| $\ln(\text{Real Petroleum Income Per Capita})$ | 3.331   | 3.313     | 0       | 12.15  | 4198 |
| Oil Income Diffusion                           | 5.049   | 3.275     | 0       | 11.105 | 4197 |
| Gas Income Diffusion                           | 4.853   | 3.048     | 0       | 10.035 | 4197 |
| $\ln(\text{Real GDP Per Capita})$              | 9.663   | 0.289     | 8.782   | 11.262 | 4198 |
| GDP Growth                                     | 0.028   | 0.042     | -0.294  | 0.425  | 3798 |
| $\ln(\text{Population})$                       | 14.889  | 1.035     | 12.48   | 17.416 | 4198 |
| Value Added                                    | 11.192  | 0.71      | 3.906   | 15.239 | 3797 |
| $\ln(\text{Real Agricultural Income})$         | 20.582  | 1.197     | 13.049  | 23.4   | 3796 |
| % Foreign Born                                 | 0.05    | 0.045     | 0.004   | 0.272  | 3707 |
| % Union  | 20.336  | 9.273     | 3.335   | 46.8   | 3698 |
| $\ln(\text{Welfare Per Capita})$               | -10.163 | 0.761     | -15.146 | -8.340 | 3798 |
| Republican                                     | 0.472   | 0.499     | 0       | 1      | 3778 |

Table C.2: Correlation Matrix (1964–2008)

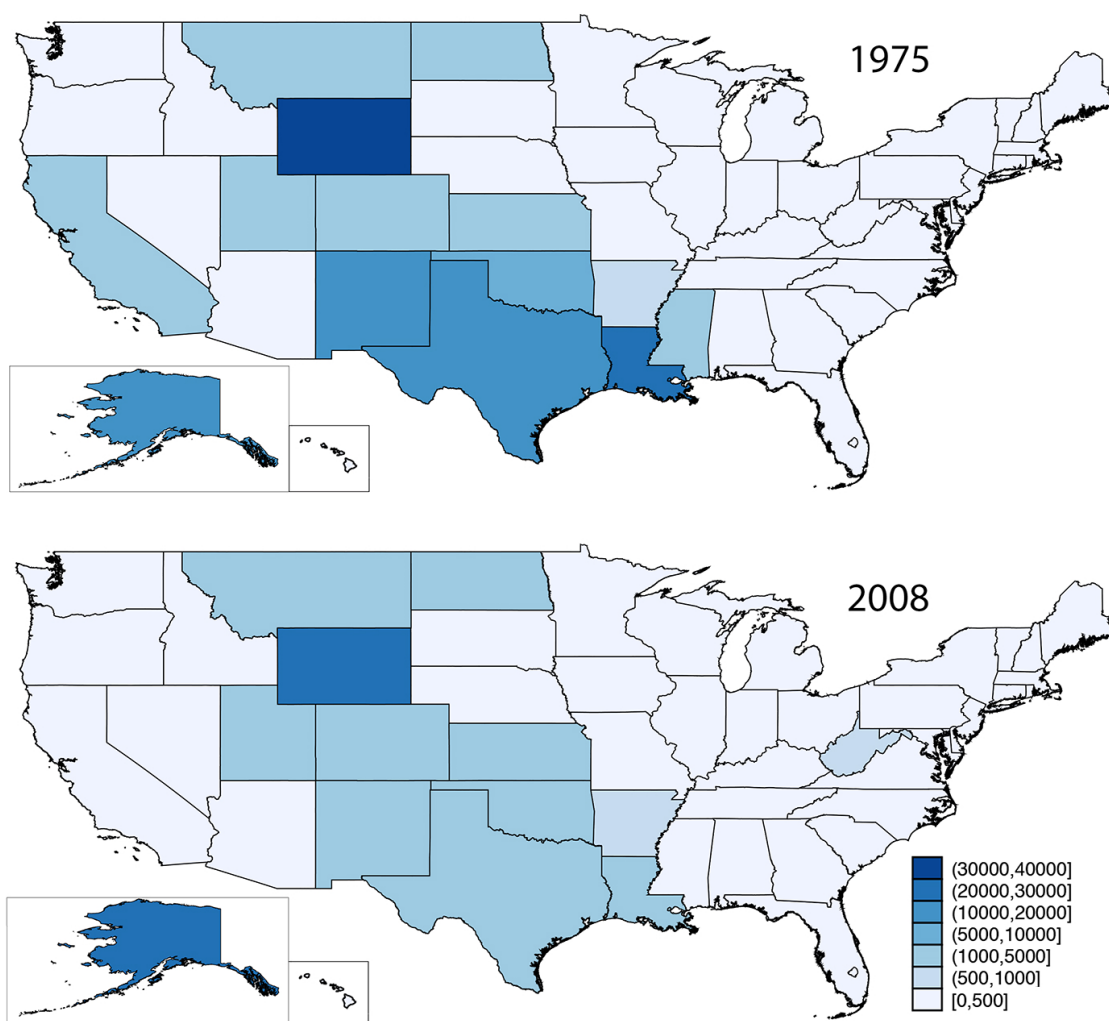
|      | (1)        | (2)        | (3)        | (4)        | (5)        | (6)        | (7)        | (8)       | (9)        | (10)       | (11)       | (12)       | (13)       | (14)      | (15)      | (16)      | (17) |
|------|------------|------------|------------|------------|------------|------------|------------|-----------|------------|------------|------------|------------|------------|-----------|-----------|-----------|------|
| (1)  | 1          |            |            |            |            |            |            |           |            |            |            |            |            |           |           |           |      |
| (2)  | -0.0458*   | 1          |            |            |            |            |            |           |            |            |            |            |            |           |           |           |      |
| (3)  | -0.00444   | -0.0676*** | 1          |            |            |            |            |           |            |            |            |            |            |           |           |           |      |
| (4)  | -0.0533**  | 0.0137     | 0.543***   | 1          |            |            |            |           |            |            |            |            |            |           |           |           |      |
| (5)  | -0.0446**  | -0.0196    | 0.563***   | 0.890***   | 1          |            |            |           |            |            |            |            |            |           |           |           |      |
| (6)  | -0.0522**  | -0.0753*** | 0.584***   | 0.983***   | 0.464***   | 1          |            |           |            |            |            |            |            |           |           |           |      |
| (7)  | -0.0809*** | 0.0150     | 0.374***   | 0.542***   | 0.494***   | 0.539***   | 1          |           |            |            |            |            |            |           |           |           |      |
| (8)  | -0.0640*** | 0.0150     | 0.401***   | 0.486***   | 0.494***   | 0.517***   | 0.910***   | 1         |            |            |            |            |            |           |           |           |      |
| (9)  | 0.0825***  | 0.393***   | -0.126***  | -0.0671*** | -0.0333*   | -0.0558*** | -0.324***  | -0.174*** | 1          |            |            |            |            |           |           |           |      |
| (10) | 0.0547***  | -0.0682*** | -0.0202    | 0.00709    | -0.0110    | -0.00132   | -0.0179    | -0.0192   | 0.0203     | 1          |            |            |            |           |           |           |      |
| (11) | 0.0665***  | 0.0465**   | -0.0722*** | -0.140***  | -0.0898*** | -0.0966*** | -0.0509**  | 0.0214    | 0.0313*    | -0.0750*** | 1          |            |            |           |           |           |      |
| (12) | 0.0103     | 0.232***   | 0.00158    | -0.0309    | 0.0103     | -0.00843   | -0.0567*** | 0.0208    | 0.365***   | 0.0511**   | 0.0190     | 1          |            |           |           |           |      |
| (13) | 0.0322*    | -0.0916*** | 0.0300     | 0.131***   | 0.0633***  | 0.128***   | 0.345***   | 0.257***  | -0.272***  | -0.0125    | 0.659***   | -0.0549*** | 1          |           |           |           |      |
| (14) | 0.0759***  | 0.286***   | -0.336***  | -0.235***  | -0.247***  | -0.238***  | -0.414***  | -0.345*** | 0.470***   | 0.00159    | 0.348***   | 0.188***   | -0.0438*** | 1         |           |           |      |
| (15) | 0.102***   | -0.289***  | 0.135***   | -0.0384*   | -0.131***  | -0.0579*** | -0.0987*** | -0.237*** | -0.116***  | -0.0983*** | 0.148***   | -0.121***  | 0.0880***  | 0.0927*** | 1         |           |      |
| (16) | 0.0889***  | -0.318***  | -0.0772*** | -0.0576*** | -0.0848*** | -0.0860*** | -0.216***  | -0.336*** | -0.0742*** | 0.0300     | 0.0250     | -0.108***  | -0.0214    | 0.0880*** | 0.492***  | 1         |      |
| (17) | -0.109***  | 0.0282     | 0.0734***  | 0.0453**   | 0.0817**   | 0.0571***  | 0.0796***  | 0.107***  | 0.0636***  | 0.0131     | -0.0680*** | 0.0248     | -0.0173    | -0.119*** | -0.151*** | -0.106*** | 1    |

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

**Variable List:**

(1) Pro-Immigration Vote Shares, (2) Weighted Low-Wage Import Penetration, (3)  $\ln(\text{Real Coal Income Per Capita})$ , (4)  $\ln(\text{Real Oil Income Per Capita})$ , (5)  $\ln(\text{Real Gas Income Per Capita})$ , (6)  $\ln(\text{Real Petroleum Income Per Capita})$ , (7) Oil Income Diffusion, (8) Gas Income Diffusion, (9)  $\ln(\text{Real GDP Per Capita})$ , (10) GDP Growth, (11)  $\ln(\text{Population})$ , (12) Value Added, (13)  $\ln(\text{Real Agricultural Income})$ , (14) % Foreign Born, (15) % Union, (16)  $\ln(\text{Welfare Per Capita})$ , (17) Republican

Figure C.1: Petroleum Income Per Capita in the American States in 1975 and 2008



Note: This figure presents a map of the American states in terms of real petroleum income per capita in U.S. dollars. Petroleum income includes revenues from oil and natural gas. Darker shades indicate higher values of petroleum income per capita.

Table C.3: Determinants of Pro-Immigration Vote Shares in the U.S. Senate, 1964–2008

| Model                               | (6)               | (7)                 | (8)                 | (9)                 | (10)                |
|-------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| First Observation Year              | 1964              | 1972                | 1972                | 1972                | 1972                |
| Coal Income                         | 0.017<br>(0.011)  |                     |                     |                     |                     |
| Gas Income                          | -0.024<br>(0.020) | -0.011<br>(0.021)   |                     |                     |                     |
| Oil Income                          | 0.006<br>(0.014)  |                     | -0.006<br>(0.013)   |                     |                     |
| Petroleum Income                    |                   |                     |                     | -0.000<br>(0.013)   | -0.003<br>(0.014)   |
| Import Penetration                  |                   | 0.428**<br>(0.150)  | 0.437**<br>(0.150)  | 0.445**<br>(0.149)  | 0.521***<br>(0.156) |
| Import Penetration×Gas Income       |                   | -0.032**<br>(0.010) |                     |                     |                     |
| Import Penetration×Oil Income       |                   |                     | -0.027**<br>(0.010) |                     |                     |
| Import Penetration×Petroleum Income |                   |                     |                     | -0.028**<br>(0.009) | -0.027**<br>(0.009) |
| ln(GDP Per Capita)                  | 0.000<br>(0.066)  | 0.024<br>(0.066)    | 0.025<br>(0.069)    | 0.015<br>(0.069)    | -0.028<br>(0.068)   |
| GDP Growth                          | -0.104<br>(0.147) | -0.130<br>(0.136)   | -0.133<br>(0.136)   | -0.128<br>(0.137)   | -0.120<br>(0.139)   |
| ln(Population)                      | 0.136<br>(0.107)  | 0.068<br>(0.117)    | 0.063<br>(0.118)    | 0.063<br>(0.117)    | -0.014<br>(0.121)   |
| % Foreign Born                      | -0.183<br>(0.656) | -0.065<br>(0.746)   | -0.042<br>(0.743)   | -0.047<br>(0.745)   | 0.249<br>(0.730)    |
| Agricultural Sector                 |                   |                     |                     |                     | 0.085***<br>(0.025) |
| Value Added                         |                   |                     |                     |                     | -0.014*<br>(0.006)  |
| Welfare Per Capita                  |                   |                     |                     |                     | -0.029+<br>(0.016)  |
| % Union                             |                   |                     |                     |                     | 0.000<br>(0.003)    |
| Observations                        | 3690              | 3152                | 3152                | 3152                | 3152                |
| Senators                            | 391               | 340                 | 340                 | 340                 | 340                 |
| R <sup>2</sup>                      | 0.299             | 0.319               | 0.318               | 0.319               | 0.323               |

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of U.S. senators' voting behavior on immigration in year  $t$ . All independent variables are taken from year  $t$  unless otherwise noted. Standard errors **clustered on senators** are shown in parentheses. \*\*\*, \*\*, \* and + indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Year and **senator fixed effects** are included in all models.



Table C.4: Determinants of Pro-Immigration Vote Shares in the U.S. Senate, 1964–2008

| Model                               | (11)                          | (12)                           | (13)                           | (14)                           | (15)                          |
|-------------------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|
| First Observation Year              | 1964                          | 1972                           | 1972                           | 1972                           | 1972                          |
| Coal Income                         | 0.015 <sup>+</sup><br>(0.008) |                                |                                |                                |                               |
| Gas Income                          | 0.002<br>(0.010)              | -0.002<br>(0.013)              |                                |                                |                               |
| Oil Income                          | -0.007<br>(0.008)             |                                | -0.011<br>(0.010)              |                                |                               |
| Petroleum Income                    |                               |                                |                                | -0.003<br>(0.010)              | -0.003<br>(0.010)             |
| Import Penetration                  |                               | 0.230<br>(0.139)               | 0.262 <sup>+</sup><br>(0.140)  | 0.237 <sup>+</sup><br>(0.139)  | 0.367*<br>(0.157)             |
| Import Penetration×Gas Income       |                               | -0.019*<br>(0.008)             |                                |                                |                               |
| Import Penetration×Oil Income       |                               |                                | -0.019*<br>(0.008)             |                                |                               |
| Import Penetration×Petroleum Income |                               |                                |                                | -0.016*<br>(0.007)             | -0.019**<br>(0.007)           |
| ln(GDP Per Capita)                  | 0.027<br>(0.056)              | 0.087<br>(0.053)               | 0.111 <sup>+</sup><br>(0.059)  | 0.091<br>(0.057)               | 0.047<br>(0.050)              |
| GDP Growth                          | -0.133<br>(0.131)             | -0.216 <sup>+</sup><br>(0.123) | -0.226 <sup>+</sup><br>(0.123) | -0.219 <sup>+</sup><br>(0.124) | -0.167<br>(0.125)             |
| ln(Population)                      | 0.118**<br>(0.039)            | 0.133**<br>(0.049)             | 0.131*<br>(0.050)              | 0.131*<br>(0.049)              | 0.082 <sup>+</sup><br>(0.047) |
| % Foreign Born                      | -0.590*<br>(0.258)            | -0.894**<br>(0.320)            | -0.927**<br>(0.328)            | -0.886**<br>(0.321)            | -0.831**<br>(0.310)           |
| Republican                          | -0.062***<br>(0.012)          | -0.056***<br>(0.013)           | -0.057***<br>(0.013)           | -0.056***<br>(0.013)           | -0.057***<br>(0.013)          |
| Agriculture Sector                  |                               |                                |                                |                                | 0.071**<br>(0.024)            |
| Value Added                         |                               |                                |                                |                                | -0.015**<br>(0.006)           |
| Welfare Per Capita                  |                               |                                |                                |                                | -0.036*<br>(0.014)            |
| % Union                             |                               |                                |                                |                                | 0.003<br>(0.002)              |
| Observations                        | 3676                          | 3139                           | 3139                           | 3139                           | 3139                          |
| States                              | 50                            | 50                             | 50                             | 50                             | 50                            |
| R <sup>2</sup>                      | 0.295                         | 0.309                          | 0.309                          | 0.309                          | 0.314                         |

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of U.S. senators' voting behavior on immigration in year  $t$ . All independent variables are taken from year  $t$  unless otherwise noted. Standard errors **clustered on states** are shown in parentheses. \*\*\*, \*\*, \* and <sup>+</sup> indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Year and **state fixed effects** are included in all models.

## APPENDIX D

### Tyrants and Migrants

#### D.1 Additional Tables

Table D.1: Summary Statistics, 1946–2013 (Autocracy= 1)

| Variable                        | Mean   | Std. Dev. | Min.   | Max.   | N   |
|---------------------------------|--------|-----------|--------|--------|-----|
| Immigration Policy              | -0.388 | 0.436     | -1.453 | 0.812  | 503 |
| Immigration Policy Average      | 3.573  | 0.343     | 2.507  | 4.236  | 503 |
| ln(Resource Income Per Citizen) | 5.022  | 3.336     | 0      | 12.231 | 503 |
| ln(Population) <sub>t-1</sub>   | 15.876 | 1.264     | 12.635 | 18.543 | 463 |
| ln(GDP Per Capita)              | 8.993  | 0.96      | 6.732  | 11.253 | 473 |
| GDP Growth                      | 0.064  | 0.066     | -0.225 | 0.579  | 462 |
| Polity Score                    | -3.394 | 6.004     | -10    | 8      | 429 |

Table D.2: Summary Statistics, 1946–2013 (Polity < 6)

| Variable                        | Mean   | Std. Dev. | Min.   | Max.   | N   |
|---------------------------------|--------|-----------|--------|--------|-----|
| Immigration Policy              | -0.407 | 0.467     | -1.453 | 0.812  | 432 |
| Immigration Policy Average      | 3.584  | 0.371     | 2.507  | 4.214  | 435 |
| ln(Resource Income Per Citizen) | 5.691  | 2.855     | 0      | 12.231 | 435 |
| ln(Population) <sub>t-1</sub>   | 16.324 | 1.199     | 12.74  | 18.683 | 423 |
| ln(GDP Per Capita)              | 8.941  | 0.938     | 6.732  | 11.253 | 429 |
| GDP Growth                      | 0.061  | 0.063     | -0.206 | 0.579  | 421 |
| Polity Score                    | -4.087 | 5.246     | -10    | 5      | 435 |

Table D.3: Correlation Matrix, 1946–2013 (Autocracy= 1)

|     | (1)       | (2)       | (3)       | (4)       | (5)       | (6)    | (7) |
|-----|-----------|-----------|-----------|-----------|-----------|--------|-----|
| (1) | 1         |           |           |           |           |        |     |
| (2) | 0.761***  | 1         |           |           |           |        |     |
| (3) | 0.0835    | 0.189**   | 1         |           |           |        |     |
| (4) | -0.0652   | -0.116*   | -0.260*** | 1         |           |        |     |
| (5) | -0.0197   | -0.0188   | 0.402***  | -0.311*** | 1         |        |     |
| (6) | 0.0739    | 0.0183    | -0.171*** | 1         |           |        |     |
| (7) | -0.245*** | -0.260*** | -0.265*** | -0.212*** | -0.281*** | 0.0384 | 1   |

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

**Variable List:**

(1) Immigration Policy, (2) Immigration Policy Average, (3) ln(Resource Income Per Citizen), (4) ln(Population)<sub>*t*-1</sub>, (5) ln(GDP Per Capita), (6) GDP Growth, (7) Polity Score

Table D.4: Correlation Matrix, 1946–2013 (Polity &lt; 6)

|     | (1)       | (2)       | (3)       | (4)       | (5)       | (6)     | (7) |
|-----|-----------|-----------|-----------|-----------|-----------|---------|-----|
| (1) | 1         |           |           |           |           |         |     |
| (2) | 0.729***  | 1         |           |           |           |         |     |
| (3) | 0.135**   | 0.190***  | 1         |           |           |         |     |
| (4) | -0.156**  | -0.110*   | -0.529*** | 1         |           |         |     |
| (5) | 0.126**   | 0.111*    | 0.635***  | -0.553*** | 1         |         |     |
| (6) | 0.0647    | -0.00856  | -0.139**  | -0.0345   | -0.101*   | 1       |     |
| (7) | -0.269*** | -0.267*** | -0.279*** | 0.268***  | -0.267*** | -0.0179 | 1   |

\*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

**Variable List:**

(1) Immigration Policy, (2) Immigration Policy Average, (3) ln(Resource Income Per Citizen), (4) ln(Population)<sub>*t*-1</sub>, (5) ln(GDP Per Capita), (6) GDP Growth, (7) Polity Score

Table D.5: Descriptive Statistics of Immigration Policy Dimensions by Polity IV Data

| Dimension                       | <b>Democracies <math>\geq 6</math></b> |           |      | <b>Autocracies <math>&lt; 6</math></b> |           |      |
|---------------------------------|--|-----------|------|--|-----------|------|
|                                 | Mean                                   | Std. Dev. | Obs. | Mean                                   | Std. Dev. | Obs. |
| Universality by Nationality     | 3.99                                   | 1.267     | 1387 | 4.441                                  | 0.831     | 435  |
| Universality by Skill or Income | 3.009                                  | 1.039     | 1387 | 3.224                                  | 1.182     | 435  |
| Citizenship                     | 3.786                                  | 0.875     | 1387 | 3.193                                  | 1.052     | 435  |
| Rights                          | 3.836                                  | 0.901     | 1387 | 3.226                                  | 1.046     | 435  |
| Refugee                         | 2.439                                  | 1.238     | 1387 | 1.25                                   | 0.71      | 435  |
| Asylum                          | 2.616                                  | 1.049     | 1387 | 1.427                                  | 0.895     | 435  |
| Recruitment                     | 3.095                                  | 1.053     | 1387 | 3.132                                  | 1.096     | 435  |
| Work Prohibitions               | 4.15                                   | 0.976     | 1387 | 3.75                                   | 1.043     | 435  |
| Deportation                     | 2.930                                  | 0.847     | 1387 | 2.177                                  | 0.857     | 435  |
| Enforcement                     | 3.180                                  | 0.901     | 1387 | 3.659                                  | 0.84      | 435  |
| Family                          | 2.568                                  | 1.069     | 1387 | 2.186                                  | 1.160     | 432  |
| Quota                           | 4.275                                  | 1.371     | 1387 | 4.706                                  | 1.023     | 435  |
| Refugee Provision               | 0.746                                  | 0.435     | 1387 | 0.409                                  | 0.492     | 435  |
| Asylum Provision                | 0.826                                  | 0.38      | 1387 | 0.411                                  | 0.493     | 435  |
| Family Provision                | 0.939                                  | 0.24      | 1387 | 0.936                                  | 0.246     | 435  |
| Immigration Policy              | -0.826                                 | 0.739     | 1387 | -0.408                                 | 0.467     | 432  |

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